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Agca Says Shooting Was Commissioned By Soviet Diplomat

By Michael Dobbs
Washington Post Service

ROME — Mehmet Ali Agca, the Turkish gunman who shot and almost killed Pope John Paul II in May 1981, said Tuesday that the attempted assassination had been commissioned by a Soviet diplomat in Bulgaria for a sum of more than \$1 million.

Tuesday's testimony before an Italian court marked the most specific charge yet made by Mr. Agca against the Soviet Union in connection with the papal plot. It is the first time that the Turk has accused a Soviet official of putting up the money to murder the Polish-born pontiff.

Giving evidence in the trial of his alleged accomplices in the papal conspiracy, Mr. Agca also accused three former Bulgarian officials in Rome of providing logistical support for him and other members of a rightist Turkish guerrilla group known as the Gray Wolves during the months leading up to the assassination attempt.

Mr. Agca's testimony Tuesday was in contrast with his refusal Friday to give evidence against the accused Bulgarians. He claimed then that he was unable to testify because he had received death threats in his prison cell from the Soviet and Bulgarian secret services.

The Bulgarians are on trial along with four Turks on charges of being Mr. Agca's accomplices in the assassination attempt. Mr. Agca has been convicted in the shooting.

Under interrogation by Judge Severino Santapichi, Mr. Agca contradicted numerous points of

his pretrial testimony and made several apparent errors on important details. He again admitted that he had lied during the three-year investigation into the conspiracy to kill the pope.

The testimony came after a private meeting Monday in prison with his defense lawyer, Pietro d'Ovidio. Mr. Agca told the court last week that he wanted to consult with his lawyer before deciding whether to continue testifying.

Mr. Agca's claim that the Soviet Union was directly involved in the attempted murder of the pope came when he was asked by Judge Santapichi whether he intended to continue to give evidence. He replied that he would.

Mr. Agca, 27, then said: "The orders to kill the pope came from the Soviet Embassy in Sofia. We Gray Wolves acted with the complicity of three Bulgarian officials in Rome." He added that "the first secretary of the Soviet Embassy in Sofia" paid 3 million Deutsche marks (\$1.2 million at the time).

Later, he testified that the Soviet diplomat had given him the name "Milenkov" or "Milenkov." He described him as being 1.80 meters (5 feet 9 inches) tall, with a "long and full" face, blond hair and glasses with a "sporting appearance."

"I ask the court to show me photos of all the members of the Soviet Embassy in Sofia," Mr. Agca said. "That way, you will see whether I am telling the truth or not. I will certainly recognize him."

The judge replied that he would consider the offer. Mr. Agca identified the three Bulgarians who are on trial as his accomplices in a



Mehmet Ali Agca, testifying at his trial on Tuesday.

similar manner in November 1982 after first describing them to the Italian investigating magistrate and then being shown a photo album of 56 Bulgarian officials in Rome.

Contradicting earlier testimony, Mr. Agca said Tuesday that the idea to kill the pope was originally raised at a meeting in Istanbul in June 1980 between him and Abuzer Ugurlu, a Turkish smuggler with links to the Bulgarian authorities. He said that Mr. Ugurlu arranged for him to discuss the project in more detail in Sofia with a business partner named Bekir Celik.

Mr. Celik, who is now in Bulgaria, is one of the defendants in (Continued on Page 2, Col. 5)

29 Freed In Berlin Spy Trade

U.S. Releases 4 to Gain Liberty For E. Europeans

BERLIN — The United States exchanged four convicted spies Tuesday in return for 25 prisoners from East German and Polish jails in what diplomats said was probably the biggest trade of its kind since World War II.

The four prisoners released by the United States were identified as Alice Michelsen of East Germany, sentenced to 10 years on espionage charges last year; another East German, Alfred Zehe, serving an eight-year term; Marian W. Zacharski, a Pole sentenced to life imprisonment in 1981; and Penny B. Kostadinov, a Bulgarian serving a 10-year term.

A U.S. State Department official said that the exchange was made on Glienicke Bridge in Berlin and that it was the result of three years of secret negotiations.

The four spies were flown to Berlin from the United States on Monday and released at the middle of the bridge, which links the eastern and western sectors of Berlin.

Two of the 25 prisoners involved in the agreement remained in East Germany to settle family affairs and will be allowed to leave, the U.S. official said. The families of the released prisoners will be allowed to join them.

U.S. officials refused to say whether the 25 prisoners were convicted spies or political prisoners.

The most famous exchange at Glienicke Bridge took place when Francis Gary Powers, a U.S. spy pilot who was shot down over the Soviet Union, was freed in 1962.

Witnesses said that Richard R. Burt, the U.S. assistant secretary of state for European and Canadian affairs who is scheduled to become the ambassador to West Germany, was present at the bridge.

The State Department official said that the 23 prisoners released to the West "looked like very happy people indeed."

Wolfgang Vogel, an East German lawyer who has acted as a mediator in many spy and refugee exchanges in the past, was seen greeting the four prisoners flown from the United States before they disappeared behind border fortifications.

In Washington, U.S. officials said that the Soviet Union had rejected American overtures to release the prominent Soviet dissidents Andrei D. Sakharov and Anatoli Shcharansky in the exchange.

"After it became clear that the Soviets would not change their position, we decided that obtaining the release of 25 persons and family members was an important humanitarian step which justified the agreement," an administration official said.

The officials declined to comment on whether those released were U.S. intelligence agents or political prisoners.

Of the four spies, the most damage to U.S. security was believed to have been done by Mr. Zacharski, who obtained secrets about several sophisticated U.S. weapons systems.



Alice Michelsen, an East German spy released Tuesday by the United States, was greeted on a Berlin bridge by Wolfgang Vogel, an East German lawyer and mediator.

Son Asserts Mengele Died in Brazil in 1979

By William Drozdiak
Washington Post Service

BONN — The son of Dr. Josef Mengele, the Nazi war criminal, said Tuesday that the corpse exhumed last week at a Brazilian cemetery was that of his father.

Breaking the long family silence, Rolf Mengele released a statement Monday saying "I have no doubt that the body recovered on June 6, 1985" in the graveyard near São Paulo was that of his father.

"I am sure that forensic tests will confirm this shortly," Mr. Mengele said. Brazilian authorities are now examining the bones and teeth found in the grave and hope to reach definitive conclusions within two weeks. They have already detected signs of a broken hip, which Dr. Mengele reportedly suffered in an accident in 1944.

The younger Mengele, 41, who is a lawyer in Freiburg, West Germany, said that he went to the burial site in 1979 to check the circumstances of his father's death. "I have kept silent until now out of consideration for the people who were in contact with my father for the last thirty years," Mr. Mengele said.

In an evident reference to those who suffered under his father at Auschwitz, Mr. Mengele added: "All victims and their relatives have my and our deepest sympathy."

Dr. Mengele is considered directly responsible for the killing of 400,000 Auschwitz camp inmates and countless atrocities committed against twins and children in a search to establish racial purity.

Rolf Mengele's statement was released to news agencies by his stepbrother Jens Hackenjos, a Munich architect whose mother, Irene, married and divorced Dr. Mengele.

Mr. Hackenjos' wife, Sabine, said that Mr. Mengele, his wife and young child were "afraid" of possible reprisals from Nazi fanatics. Since Dr. Mengele's possible death has stirred worldwide interest, the family had received "several murder threats at their home," Mrs. Hackenjos said.

Mr. Mengele said the Mengele family was now prepared "to provide further pertinent information" to show conclusively that his father lived and finally died near São Paulo in 1979.

The latest lead on the Mengele trail came from a West German university professor, who overheard a former employee of the Mengele family company, Hans Sedlmeier, 72, boasting about pro-

viding financial aid to the Nazi doctor.

On May 31, West German police raided his home and found letters and an address book that led investigators to an Austrian couple, Wolfram and Liselotte Bossert, living near São Paulo.

The Bosserts said they provided lodging for a man during the 1970s who later admitted to being Dr. Mengele. They said the man drowned while swimming in 1979 and was buried at Elm, near São Paulo, under the name of Wolfgang Gerhard.

SALT Position: Not for All Seasons

U.S. Review of Treaty Might Lead to Decision to Scrap It

By Don Oberdorfer
Washington Post Service

WASHINGTON — President Ronald Reagan, in deciding to continue observing the numerical limits of the unratified SALT-2 treaty, has acceded to the wishes of the NATO allies and the majority in Congress.

He also kept open the possibility of progress in U.S.-Soviet negotiations in Geneva or at a summit meeting with the Soviet leader, Mikhail S. Gorbachev.

Mr. Reagan's decision, which surprised even some in high government circles, was described in official statements as a temporary position for this season rather than one for all seasons. The effect of it, however, will be to continue the status quo in U.S. arms control policy during a period of important political and diplomatic sparring between Washington and Moscow.

Mr. Reagan's rhetoric in a written statement and a White House fact sheet was music to conservatives in the Pentagon and Congress, who have been calling for an end to the U.S. "no undercut" policy on SALT-2 limits. But his decision to dismantle a Poseidon submarine to stay within SALT-2 limits went in the other direction and seemed to speak louder than words, at least for the present.

White House officials predicted that "going the extra mile," as Mr. Reagan called it, will put the president in a position to ask Congress for 50 more MX missiles and other additions to the U.S. strategic nuclear arsenal in the next budget.

There were hints from presidential aides that such recommendations

Gorbachev Vows Radical Shifts In the Economy

By Dusk Doder
Washington Post Service

MOSCOW — Mikhail S. Gorbachev, the Soviet leader, said Tuesday that he would direct a "profound restructuring" of the economy, and he provided the first indications of the direction in which these changes would be made.

He called for legislation to introduce "cost accounting, economic levers and incentives" in the system; to increase "the consumer's influence" in general; to "radically improve" the process of price formation; and to curtail the role of centralized planning.

Speaking at a conference attended by members of the Communist Party's Central Committee and top state and economic officials, Mr. Gorbachev called for changes in party work "to deal with the human factor, the decisive factor of all changes."

He obliquely criticized his immediate predecessor, Konstantin U. Chernenko, saying that the draft economic plan for the next five years, and through the rest of the century, had been criticized in the ruling Politburo, "which necessitates that work on the draft be continued."

He criticized directly a number of ministers responsible for the economy and said that it was necessary "to remove everything outdated" and to "literally rip inefficient economic executives over the knuckles."

"This is a question of a long-term political line and none of the problems we must solve can be put off until tomorrow," he said. "The demands on our economic cadres should be raised sharply. There must be no delay, no waiting because there is no time left for warming up. It was exhausted in the past."

It is unusual for the Soviet leadership to disclose internal differences about economic plans and

equally unusual for it to disclose that a draft plan was sent back for revision.

"Life demands a profound restructuring of planning and management, of the entire economic mechanism," Mr. Gorbachev said.

The Soviet leader described "the fundamental essence of the restructuring" as involving efforts to increase the system's efficiency and "to expand the independence and responsibility of enterprises, to make vigorous use of more flexible forms and methods of management, cost accounting and commodity-monetary relations and extensively develop the initiative."

"The business at hand is formidable, it is innovative, broad in scope and difficult," he added, according to a partial text of his speech distributed by Tass, the official press agency.

The speech, judging from the partial text, constitutes the most comprehensive account of changes the new leadership is planning. It closely followed the general line set out by Yuri V. Andropov, who was Mr. Gorbachev's mentor.

A documentary film about Mr. Andropov was premiered here Monday night in what is seen as an unprecedented tribute to the late Soviet leader.

In his speech Mr. Gorbachev asserted that structural changes were long overdue and, by implication, criticized the era of Leonid I. Brezhnev.

"One cannot help seeing that since the early 1970s certain difficulties began to be felt in economic development," he said. "The main reason is that we did not in time display perseverance in reshaping the structural policy, the forms and methods of management, the very psychology of economic activity."

He said the government faces tasks of improving food supplies, services, housing, medical services, education and other areas.

Sihanouk Asks U.S. to Use Influence To Help Set Up Coalition in Cambodia

By John F. Burns
New York Times Service

PYONGYANG, North Korea — Prince Norodom Sihanouk has appealed to the United States to use its "great influence and prestige" to help Cambodia establish a coalition government of Communists and non-Communists under international guarantees.

He spoke in an interview at his residence outside the North Korean capital, which he has made his home for several months each year since the 1970 coup in Cambodia that overthrew him and installed a pro-U.S. government under General Lon Nol.

The prince, 63, who ruled Cambodia for nearly 30 years before the coup, suggested that creation of such a coalition government could grow out of a new Geneva conference on the six-year conflict in Cambodia, which is between Vietnam and the guerrilla forces opposing its occupation.

"For our people, there is something more important than dollars and weapons, and it is diplomacy," he said. "The United States should use its very great influence and prestige and put them at the disposal of the Cambodian people."

"I think we should go back to the 1954 Geneva conference that tried to bring peace to Indochina after

the French withdrawal from Vietnam.

The prince said the Reagan administration should shift its emphasis from the \$5 million in military aid it has pledged to the non-Communist guerrilla forces fighting the Vietnamese in Cambodia. One of the two forces that would benefit from the U.S. aid is loyal to Prince Sihanouk. The other is the Khmer People's National Liberation Front, led by Son Sann.

The prince is now titular head of state of the coalition front forged by the two non-Communist guerrilla groups and the Communist Khmer Rouge.

The interview took place Monday in a 40-room mansion built for the prince in 1974 by the North Korean leader, Kim Il Sung.

The prince said that although the United States was still in a "trauma" over its role in Indochina, it was well placed to play a key role in advancing a resolution of the Cambodian problem. He said that this was first of all a matter of power, but that changes in the world situation since 1970 also meant that the United States was better placed to engage in such diplomacy.

"Now, it is the Soviet Union which is condemned," he said. "It is the United States which is liked."

Although the prince spoke warmly of China's continuing

backing for the anti-Vietnamese guerrillas, his appeal for a U.S. diplomatic initiative apparently reflected his conviction that the flexibility needed to bring about a Cambodian compromise was not likely to come from Beijing.

He made it clear that the coalition government he envisaged would include Communists of the pro-Vietnamese group, headed by Heng Samrin, that is currently installed in Phnom Penh. He said this would be essential if there were to be any prospect of agreement with Hanoi and Moscow.

Sihanouk acknowledged the unhappiness this would cause in some quarters, including among the Khmer Rouge. He said that it would not be "a clean compromise," but that it was the only one possible.

"It's a slim chance, but it's the only one we've got," he said. The prince said he was "very, very pessimistic" about any breakthrough, military or diplomatic, that would end what he called the "colonization" of Cambodia.

He described the guerrillas' strategy as one of "hit-and-run" tactics against a far superior Vietnamese force, and he said the fact that the guerrillas had failed in several years' fighting to take a single town or district meant that the co-

(Continued on Page 3, Col. 2)

U.S. Finds 11 Pollutants Pose High Peril Indoors

By Philip Shabecoff
New York Times Service

WASHINGTON — Eleven common air pollutants pose a greater hazard in an average home than they do in the air around the plants where they are produced, a new study by the Environmental Protection Agency has found.

Although there was no evidence of imminent threats to the health of the people exposed to the chemicals, scientists both in and out of the agency said the results could alter the focus of efforts to combat air pollution. Until now, the environmental agency has concentrated on outdoor pollution from major sources such as chemical plants and refineries.

The 11 chemicals were chosen because they are found in household products such as cleaning agents, in building materials, in gasoline or in cigarette smoke.

Bernard D. Goldstein, the agency's assistant administrator for research and development, noted that the study had not included pollution from other chemicals produced by the plants or the wide array of other air pollutants. But in the case of the 11 chemicals, he said, it showed that exposure outdoors was relatively insignificant compared with indoor exposure.

In some cases, the indoor exposures were 70 times the outdoor exposures, even for people living close to the chemical factories, the study found.

Volunteers in the study, which

took five years to complete, wore monitoring devices to measure their exposure. At the end of the day they took a breath test to determine the quantity of the chemicals in their blood. They also filled out a questionnaire on their activities.

The main study was conducted in Elizabeth and Bayonne, New Jersey, because of their proximity to petrochemical plants and refineries discharging the 11 chemicals into the air. Identical experiments were conducted on a smaller scale in Greensboro, North Carolina, which contains light industry but no chemical plants, and Devils Lake, North Dakota, a rural area.

The chemicals studied were chloroform, 1,1,1-trichloroethane, trichloroethylene, benzene, carbon tetrachloride, perchloroethylene, meta-para-dichlorobenzene, meta-para-xylene, styrene, ethylbenzene, and ortho-xylene.

The original purpose of the study was to develop ways to measure individuals' exposure to toxic substances in the air, something agency officials said they had accomplished. But they described the results of the study as surprising, even startling.

The people living in Greensboro and Devils Lake, the study found, recorded no less exposure to the chemicals than the people living next to the factories and refineries in the Bayonne-Elizabeth area. And they had equivalent amounts of the chemicals in their blood.

The study found a "significant" (Continued on Page 2, Col. 6)



IN SUSPENSE — Forty-two cars derailed Sunday at Pine Bluff, Arkansas, and four of them were still burning Tuesday. The threat that highly toxic vinyl chloride would ignite forced firefighters to keep away. Twelve hundred people living within a mile were evacuated.

U.S. Hospitals Limit Alien Transplants

By Margaret Engel
Washington Post Service

WASHINGTON — Many U.S. hospitals, faced with a controversy over transplants of scarce organs, are refusing to perform transplants for foreign citizens or have moved to grant preference to U.S. citizens.

Rush Presbyterian Hospital in Chicago "won't do bone marrow, cornea transplants, anything, on foreign nationals because of the problem we had" with complaints about foreigners receiving kidneys, said Paul Volek, director of organ procurement for the Chicago area.

"Americans are dying without organs," Mr. Volek said. "How in good conscience can we offer them to others who come to this country?" The American Society of Transplant Surgeons voted last month to give preference to U.S. citizens for transplants, and advised the nation's 39 organ networks to revise their computer lists to show which candidates are U.S. citizens.

Many doctors are uncomfortable in allocating life-saving operations on the basis of nationality. "We're talking about medicine here, about life," said Dr. Said A. Karmi, director of transplant services at George Washington University Medical Center.

According to a report of a local group called End Stage Renal Disease Network of the National Capital

Area, 10 percent of all kidney transplants in the United States in 1982 were performed on foreign citizens during that year.

The percentage is much higher in many localities. In the Washington area, 26 percent were foreign citizens. Local doctors say the high rate of foreign citizens receiving transplants in the United States can be explained in part by the fact that organ donation is not common in many countries. In addition, it is sometimes proscribed for religious or cultural reasons.

The high rate of transplants for foreign citizens has led to discontent in Washington, where there is a particular need for kidneys because the city leads the nation in the rate of kidney disease.

"There is a high rate of hypertension among blacks" and the disease can lead to kidney failure, explained Dr. Clive Callender, director of Howard University Hospital's transplant center. About 150 residents of the district, mostly blacks, are waiting for kidneys.

Ernest Bauer, chairman of the local network's patient action committee, described the large number of kidney transplant involving foreigners as "wrong and an affront to U.S. residents."

Responding to such concerns, the Washington Hospital Center adopted a policy giving preference to U.S. citizens for transplants. The proportion of foreign citizens for transplants. (Continued on Page 2, Col. 2)

INSIDE

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BUSINESS/FINANCE

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■ The IMF's chief, Jacques de Larosiere, confirmed he will seek a resumption of a standby loan to Argentina. Page 13.

TOMORROW

While Iraqi bombs alter life in Tehran, there are no blackouts or curfews in Baghdad.

Soviet Accuses Reagan Of Discarding SALT-2 Instead of Retaining It

By Serge Schmemmann
New York Times Service

MOSCOW — The Soviet Union declared Tuesday that President Ronald Reagan's promise to abide by the SALT-2 treaty only confirmed the U.S. administration's intention to destroy the entire system of disarmament agreements.

In a response issued by the Foreign Ministry and published by Tass, the Kremlin described Mr. Reagan's assertion Monday that he would continue honoring the pact's limits on missiles as a cover for "crawling out of the treaty" and discarding its provisions one by one.

"It should be realized in Washington what consequences the stand taken by the White House with regard to the SALT-2 treaty will lead to," the statement said, without specifying the consequences.

"One should not be deluded that the U.S. side will be allowed to determine as it thinks fit which obligations should be observed and which should not. It is a dangerous misapprehension to expect that the other side will be adapting itself to such a line of the U.S.A."

Moscow denied Mr. Reagan's allegations that the Soviet Union had violated the SALT-2 treaty, and specifically the allegation that the Russians were developing two new land-based intercontinental missiles, the SS-24 and the SS-25, instead of the one permitted by the treaty.

The Soviet statement insisted that the SS-25 was a modernized version of an earlier weapon, the SS-13, Washington made its allegations, the statement said, only to justify American work on the MX and Midgetman missiles.

"The U.S. administration, proceeding along the lines of violating the treaty, resorts to a long-tested device: It again starts to level obviously far-fetched accusations at the other side," the statement said.

The Kremlin also sought to play down Mr. Reagan's central decision, not to exceed the SALT-2 limits on missiles by keeping an aging Poseidon submarine in action when a new Trident submarine goes into service this fall.

"The president emphasizes that this is a single measure which does not mean that in the future he will act in an analogous way," the statement said. "On the whole, the decision concerning the submarine Poseidon does not change the overall picture of the undermining by the United States of the positive atmo-

sphere that was created in the strategic arms limitation field through the efforts of the two sides."

Overall, the Soviet statement followed the basic lines set out in a Pravda editorial over the weekend. That editorial called U.S. arms control policy "deceitful and cynical" and accused the Reagan administration of preparing to "wreck" the 1979 nuclear arms treaty.

The fact that the Kremlin chose to criticize Mr. Reagan even after he had decided to abide by the treaty suggested to Western diplomats a determination in Moscow to sustain the unease caused in Western Europe and within the United States by the dispute within the administration over adherence to SALT-2.

Beyond that, the diplomats said, the Russians have long recognized the basic disaffection within the Reagan administration over the various arms control treaties with the Soviet Union, and they were not prepared to give the president credit for restraint while the long-term threat to the treaties seemed to remain intact.



Fate of Finnish Hostages Discussed

Brian E. Urquhart, left, a United Nations undersecretary, met Tuesday in Tel Aviv with Defense Minister Yitzhak Rabin in an attempt to obtain the release of 21 Finnish members of the UN peacekeeping force in Lebanon. The hostages were being held by the South Lebanon Army, backed by the Israelis. Mr. Urquhart said he hoped the Finns would be freed "in the very near future."

U.S. Hospitals Limit Alien Transplants

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sidents receiving kidneys in 1984 was sharply reduced from the year before.

A spokeswoman for the center also said it had terminated a "referral arrangement" whereby doctors at the Saudi Arabian health office sent patients to the hospital for transplant surgery.

Georgetown University Hospital is renegotiating an agreement with the Greek minister of health to perform transplants on Greek patients after encountering political difficulties, according to Dr. George

Schreiner, director of the hospital's nephrology division.

One reason for the high rate of kidney transplants for foreigners, said Dr. Karmil, is that these patients may come from countries where medical care is less sophisticated than in the United States. Thus, he said, the patients generally have not undergone dialysis treatment to rid the blood of toxins, and their bodies are less sensitive to a new organ.

Also, foreign patients generally are less selective about what type of

match they make with a donated kidney, doctors say.

"Yes, they're getting more kidneys, but they're not getting a good quality, a good match," said Dr. Jose Salcedo, chairman of the Washington area network's medical review board. "If we don't use these kidneys in foreigners, these kidneys would probably have to be thrown away. Here you have a way to get rid of these organs that might not be used" by U.S. citizens.

Sometimes, a hospital is paid more by foreign patients for kidney transplants than local residents pay.

At George Washington, a foreign citizen pays \$6,000 for the transplant surgeon's services, according to Dr. Karmil. The hospital collects \$3,800 from Medicare for the same services on a U.S. citizen.

Those interested in encouraging organ donation are worried that the issue of foreign citizens receiving transplants will hurt their efforts. In California, for example, some organ donors have written "resident only" on their organ donor cards after news reports that some kidneys were being shipped to Japan for transplants there.

Agca Says Russian Was Behind Plot

(Continued from Page 1)

the present case, Mr. Ugurlu was arrested by the Turkish authorities several months before the attempted assassination of the pope and is now on trial in Turkey on various charges, including smuggling.

Questioned about his meetings in Sofia, Mr. Agca said that the Bulgarian defendants, Todor S. Aizavov, between July 10 and 16, 1980. He added that another Turkish member of the Gray Wolves, Oral Celik, was present.

According to records of the pre-trial investigation, Mr. Celik was in Sofia between these dates. Mr. Aizavov's passport, however, shows that he arrived in Bulgaria on July 21 from Rome and therefore presumably could not have taken part in the meeting at the time stated by Mr. Agca on Tuesday.

When the judge expressed surprise at the willingness of a Soviet diplomat to meet with a Turkish terrorist who had only recently escaped from prison, Mr. Agca replied that the meeting had taken place in a hotel room in Sofia without any photographers present.

The judge questioned Mr. Agca closely on apparent discrepancies over the payment of the 3-million Deutsche mark reward. During his pre-trial testimony, Mr. Agca had said that he was to have received a third of the total sum, but he insisted Tuesday that he had not been interested in money.

When asked why he had earlier claimed that Mr. Celik had actually brought the money to Italy, a fact that he now denies, Mr. Agca replied that he had been confused by the persistent questioning of Bulgarian magistrates who were allowed to interrogate him in 1983. The trial continues Wednesday.

Jordanian Jet Is Hijacked In Beirut; Goal Unclear

United Press International

BEIRUT — Hijackers seized a Jordanian jetliner with 74 people aboard here Tuesday and then forced the plane on various flights across the Mediterranean before returning to Beirut.

The objective of the hijackers was not immediately clear. The hijackers had ordered the pilot to fly to Tunis, where the Palestine Liberation Organization is based. But authorities there closed the airport and put barrels on the runway to keep the plane from landing.

After being hijacked in Beirut, the Boeing 727 refueled in Larnaca, Cyprus. After being refused permission to land in Tunis, the plane went to Palermo, Sicily, where it refueled and returned to Beirut.

The Italian authorities tried to trade fuel for the release of women and children but said they gave up when the hijackers "threatened to immediately throw a couple of children onto the runway."

Army units surrounded the plane upon its return to Beirut International Airport. Radio communications with the hijackers began minutes after landing, airport officials said.

Airport security spokesmen said the hijackers demanded that leaders of Beirut's Sunni Moslem and Shiite Moslem religious and the Moslem fundamentalist Hezbollah, or Party of God movement, be present at the airport. They also demanded the presence of the Iranian ambassador to Beirut and Arab and foreign reporters, the spokesmen said.

The number of hijackers was not clear. Various reports placed the number from one to six.

Among the 74 passengers and crew were 51 Lebanese, two Americans, a Dominican, a Brazilian, an Italian and a Sri Lankan, a spokesman for the Jordanian airline Alia said in Amman.

Beirut radio said Lebanon's third hijacking this year began when four hijackers, firing submachine guns, smashed through a side gate into Beirut airport in a taxi.

Still firing, they drove directly to the jetliner, which was about to take off for Amman, Jordan, and took control of the plane despite the presence of eight security guards on board, the reports said.

In Beirut, a caller to the Voice of Lebanon radio said the hijacking was the work of the Imam Ali Sudr Suicide Brigade, made up of radical Shiite followers of Imam Musa Sadr. Another said the hijackers were members of the hitherto unknown Abu Zuhair Suicide Squad.

The Imam Ali Sudr brigade is named after Musa Sadr, the spiritual leader of Lebanon's Shiite Moslem community who disappeared on a trip to Libya in August 1978.

The caller said the hijackers, headed by a man named Abu Zuhair, were demanding that all Palestinians leave the refugee camps of Beirut. The caller also condemned the efforts of Yasser Arafat, chairman of the P.L.O., to join forces with King Hussein of Jordan in trying to forge a Middle East peace.

Perils Found In Indoor Air

(Continued from Page 1)

correlation" between the levels of the chemicals in participants' bodies and their use of paint or solvents at home or at work, cigarette smoking, and visits to gas stations or dry-cleaning establishments.

It found a similar correlation with the presence of these chemicals in building materials, cleaning agents and other substances in participants' homes.

Many of these products are widely used in major cities around the world.

The study did not attempt to deal with many of the known indoor air pollutants, such as radon, radioactive gas that can cause lung cancer, or formaldehyde, a ubiquitous element in home furnishings and building materials.

Mr. Goldstein said future studies using similar techniques would test exposures to these chemicals. The study said "it seems probable" that consumer products such as paints, cleansers, propellants, plastics and cosmetics and building materials such as adhesives, fixers, resins, insulation and other products are the major sources.

David D. Doniger, an expert on toxic air pollution and a lawyer with the Natural Resources Defense Fund, an environmental group, said he was concerned that the Reagan administration would use the results to ignore the problem of toxic chemicals in the outdoor air. He said the agency's own figures showed that 1,500 to 2,000 people die each year in the United States from toxic air pollution.

"I don't like the suggestion that one problem is small because another may be bigger," Mr. Doniger said.

WORLD BRIEFS

Polish Priest Jailed in Crucifix Protest

WARSAW (Combined Dispatches) — A Roman Catholic priest, the Reverend Marek Labuda, was sentenced Tuesday to one year in prison for leading a student protest against the removal of crucifixes from school buildings, a church official said.

As many as 300 students and 100 parents occupied the school in the southern town of Wloclaw last Dec. 3-16 to protest the removal of crucifixes. Father Labuda's conviction was seen as part of a government crackdown on anti-government clerics.

In Gdansk, the prosecution demanded a five-year prison term for Wladyslaw Frasnuk, one of three leaders of the outlawed Solidarity Union who are accused of illegal activities, and four-year terms for other two, Adam Michnik and Bogdan Lis. (AP, Reuters)

Police Blamed in South Africa Deaths

CAPE TOWN (Reuters) — An official inquiry into the killing of 20 black marchers by police on March 21 has concluded that the police were to blame for failing to carry proper riot-control equipment such as tear gas and rubber bullets.

The inquiry's report into the incident at Uitenhage in eastern Cape Province, released Tuesday, also accused South African police of failing to take evidence to justify the shooting. It accepted, however, that the police feared for their lives and thought the crowd might try to kill whites in Uitenhage.

The government, reacting to the report, defended the police force and said it had set up a police board of inquiry to consider some of its findings.

Reagan Considering Managua Talks

WASHINGTON (AP) — President Ronald Reagan, seeking to end the support of warring Democrats for aid to Nicaraguan rebels, said Tuesday he was starting discussions aimed at determining "how and when the U.S. could resume useful direct talks with Nicaragua."

In a letter handed to a congressional delegation that met with him at the White House, Mr. Reagan said he would instruct U.S. representatives to meet again with Nicaraguan officials "only when I determine that such a meeting would be helpful" in the effort to bring peace to the region. Mr. Reagan said he planned to instruct his special ambassador for Central America to consult with governments in the region about the possibility of talks with the Sandinist government in Nicaragua.

U.S. Congress Opens Budget Talks

WASHINGTON (AP) — A House-Senate committee opened negotiations on a fiscal 1986 budget Tuesday as a key House Democrat called for a tax increase to reduce the federal deficit.

"You cannot cut your way out of the debt this administration has compiled," said Representative William H. Gray Jr., Democrat of Pennsylvania, who is chairman of the House Budget Committee. "We will have to face the reality of dealing with some revenues" after a budget containing spending cuts is approved.

Senator Robert J. Dole of Kansas, the majority leader, said Tuesday he would take the case for higher taxes to President Ronald Reagan only if Congress approved \$50 billion to \$60 billion in spending cuts beyond what either the House or Senate has previously called for, and further measures were still needed. The House bill calls for \$295 billion in savings over three years; the Senate bill \$259 billion.

For the Record

The U.S. Court of Appeals in Washington agreed Tuesday to reconsider a case in which it was decided that The Washington Post libeled William P. Tavoulareas, a former president of Mobil Oil Corp. The court vacated a 2-1 decision by a three-member appellate panel that reinstated a lower court jury's ruling that the Post had libeled Mr. Tavoulareas. (AP) Vice President George Bush will visit Rome, Bonn, The Hague, Brussels, Geneva, Paris and London from June 23 to July 3 to discuss national security and trade issues, it was announced Tuesday. (AP)

Correction

The item on London's Unlisted Securities Market in the June 11 Personal Investing section included an incorrect share price for Vale Pollen, an advertising firm. The correct price on Tuesday was 670 pence (about \$8.50) a share.

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Herald Tribune

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AMERICAN TOPICS

Editors Withhold
'Doonesbury' Strip

Garry Trudeau has used his comic strip to take on the president, the press, Congress, the anti-abortion movement, the drug cult — you name it. But this time "Doonesbury" has gone for a tough one — Frank Sinatra. Of Blue Eyes himself.

The six comic strips scheduled for this week have some newspaper editors talking to their lawyers instead of laughing, and the Trudeau satire won't get to all of his readers.

The allegations of Mr. Sinatra's connections to organized



Garry Trudeau

crime are a primary target of Mr. Trudeau — the contrast of that and Mr. Sinatra's friendship with the Ronald Reagans and his Medal of Freedom award last month by the president.

Concerns about libel and fairness were the reasons cited by editors for not publishing some or all of the week's strips.

Newspapers that chose not to use at least some of them included the International Herald Tribune, the Los Angeles Times and Newsday.

In a statement, Mr. Sinatra said, "Garry Trudeau makes his living by his attempts at humor without regard to fairness or decency."

Is Mr. Sinatra talking to his lawyers? He's not saying.

Short Takes

Joan B. Kroc, widow of Ray Kroc, the guiding genius of the McDonald's hamburger chain, spent \$400,000 to buy full-page ads in The New York Times, The Washington Post and 21 other newspapers with a quota-

tion from a 1953 speech by Eisenhower decrying the wasted talents of "laborers, the genius of scientists, the hopes" of children in producing arms instead of feeding the hungry. She urged that readers in agreement should send the ad to their senators and congressmen.

By mid-1986 Alaska is expected to reinstate state income taxes, dropped in 1979 when oil wealth flooded the treasury and financed extensive services and such things as road networks. State income from North Slope taxes and royalties has dropped, along with world oil prices, since 1982, when it totaled \$4.1 billion. The 1986 total is expected to be \$2.9 billion.

President Ronald Reagan has recommended that the Senate honor Major Arthur D. Nicholson Jr., who was killed by a Soviet scout in East Germany in March, by promoting him posthumously to lieutenant colonel. A Pentagon spokesman said this would be the second such promotion: The first was that of Lieutenant Colonel Charles Ray, an army attaché at the U.S. Embassy in Paris, promoted to colonel after he was killed by a terrorist in 1982.

Catherine Costello, 17, of Pearl River, New York, got her college bachelor's degree from St. Thomas Aquinas College the day after she graduated from high school. For three years, as she put it, she attended high school during the day, taking part in a profusion of extracurricular activities, and college at night. She will enter medical school in the fall.

Thoughts on Changes
In the Police World

Patrick V. Murphy, retiring at 65 as president of the Police Foundation, a Washington research group, and former police chief in Washington, Detroit and New York, says "incredible changes in police work" have occurred because of the changing leadership of cities and police forces.

"More and more blacks and Hispanics have become the mayors and police chiefs," he noted, and police "more and more are finding ways to work with the community, to spot the drug dealer and burglar and to actually prevent crime."

—Compiled by
ARTHUR HIGBEE

Admiral Says Spy Ring
Enabled Soviet to Decode
Secret Naval Messages

By George C. Wilson
Washington Post Service

WASHINGTON — The spy ring that U.S. authorities say was led by John A. Walker Jr. apparently enabled the Soviet Union to decipher coded secret U.S. Navy communications for an extended period of time and to adjust their operations at sea accordingly, Admiral James D. Watkins, the chief of naval operations, said Tuesday.

Admiral Watkins termed the navy's loss of sensitive information from alleged espionage by four navy men "very serious" but "not catastrophic."

Mr. Walker, a retired navy warrant officer, is accused of having run a spy ring for 18 years. He is being held with his son, a navy yeoman, and his brother and a friend, both retired.

At the Pentagon, Admiral Watkins and Navy Secretary John F. Lehman Jr. announced changes to tighten security. They said polygraph tests will be given on a random basis to navy people with access to secret information at sea and on shore. In addition, the number of navy of people cleared for secret information are to be reduced 10 percent immediately, "with a goal of 50 percent as soon as feasible."

Defense Secretary Casper W. Weinberger has made it clear that he considers security breaches a problem for the whole Department of Defense, not just the navy.

He has ordered an immediate 10-percent reduction in the 4.3 million military, civilian and contractor personnel cleared for secret information and announced that a panel would be named to "identify any

systemic vulnerability or weaknesses" spotlighted by the case.

Admiral Watkins said that navy communications "is the most serious area of compromise."

The design of some secret navy communications gear, he said, "probably has been lost" to the Russians and the service is, therefore, building new equipment on an "accelerated basis" in hopes of fending off Soviet eavesdroppers.

The officials said the navy's ships and weapons, including submarines carrying nuclear missiles, remain safe.

Admiral Watkins said there was "no indication" that the Russians had broken the code of how to detect U.S. nuclear missile submarines. He added, "therefore, we remain convinced" that the nuclear submarine force is "still 100-percent survivable."

Admiral Watkins indicated that the navy believes the Soviet Union received manuals and other design information on its communication gear from the spy ring, built copies and used the equipment to break the code on messages sent from ship-to-shore and from ship-to-ship by teletype as well as unscrambled secret telephone calls.

"What they gained from possible ability to copy teletype and secure voice circuits was ability to fill voids in their knowledge and to gain 'ground truth,' as we call it, to better understand what they observed, a very valuable intelligence gain to the Soviet Union," the admiral said.

Soviet electronic eavesdropping trawlers trail U.S. warships at close range all over the world. Navy officials presume the trawler crews record the message traffic as well as a radio back what aircraft carriers and other ships bigger than cruisers are doing.

Gear that would unscramble intercepted communications, plus the reports on surface ship and submarine operations from the spy ring, would have been immensely helpful to the Soviet Union in trying to determine the military intentions and capabilities of the United States, according to military officials.

Hu Feng, Writer
Rehabilitated in
China, Dies at 83

Review

BEIJING — Hu Feng, 83, a celebrated writer and literary critic who championed artistic freedom in China in the 1950s and was then imprisoned and purged by the Communist authorities, died Sunday of cancer.

He opposed Mao's doctrine of 1942 that literature must serve politics. He was arrested in July 1955, but remained a symbol of intellectual freedom to younger writers.

Mr. Hu's rehabilitation was revealed in April 1981 when he was named to a committee of 200 set up to commemorate the centenary later that year of the birth of his former patron, the writer Lu Xun. In May 1981, Chinese Literature magazine gave recognition to Mr. Hu for the first time since his condemnation, publishing a poem he wrote in 1949.

Other deaths: Charles Le Maire, 88, a costume designer and three-time Oscar winner who created wardrobes for the Broadway musicals of Ziegfeld and Hammerstein, Saturday in Palm Springs, California. He won Oscars for "All About Eve," "The Robe" and "Love is a Many-Splendored Thing."

Bob Prince, 68, one of baseball's best known play-by-play broadcasters as the voice of the Pittsburgh Pirates for nearly three decades, Monday of complications following cancer surgery.



Admiral Hyman Rickover, right, with Jacques-Yves Cousteau, French explorer and a pioneering submariner, at a party in Washington for Mr. Cousteau's 75th birthday.

Rickover Denies Retaining Most Gifts

By Michael Weisskopf
Washington Post Service

WASHINGTON — Admiral Hyman G. Rickover, saying "my conscience is clear," says that almost all of the \$67,628 in gifts he is accused of receiving from General Dynamics Corp. was given to supporters of a nuclear navy, including presidents and members of Congress.

In an official rebuttal to a letter of censure filed against him May 21 by Navy Secretary John F. Lehman Jr., Admiral Rickover offered, for the first time, his defense that he "never considered or treated these items as personal gifts."

He said that of "certain items" he received from General Dynamics from 1961 to 1977, he kept only a pair of diamond earrings and a jade pendant bought for his wife for \$1,125.

Admiral Rickover said he gave everything else away — to presidents, to members of Congress and their staffs, to "dedicated and hard-working" submarine crew members and to his office personnel.

In his rebuttal to Mr. Lehman, Admiral Rickover, who retired from the navy in 1982, also said, "I

can state emphatically that no gratuity or favor ever affected any decision I made."

His statement came five days after the navy released the report of its Ad Hoc Gratuities Board listing hundreds of items and services that Admiral Rickover received from General Dynamics and accusing him of having been the "beneficiary of this longstanding pattern and practice of corporate largess."

Admiral Rickover said his receipt of gifts deserved to be "placed in the proper context," and he fo-

cused on the special considerations General Dynamics accorded him during its submarine sea trials, a ritual that became known as "rigging for Rickover."

Citing a "navy practice of long standing" for the commanding officer to make special arrangements for visiting dignitaries, he said the "provisions and supplies for those sea trials, alleged as gratuities, were used and consumed not only by me but also by the dedicated navy men and women who served on these ships."

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New York Suspends Broker's License
Of Zaccaro, Citing 'Untrustworthiness'

ALBANY, New York — The real-estate broker's license of John A. Zaccaro has been suspended by a state hearing officer who said the husband of Geraldine A. Ferraro, the 1984 Democratic vice presidential candidate, had "demonstrated untrustworthiness."

The hearing officer, Barry Bohan, said Monday he took the action because Mr. Zaccaro had submitted "a net worth statement which he knew was false and an appraisal which he himself altered," according to William Brown, a spokesman for New York's secretary of state.

The suspension, which takes effect Aug. 1, means that Mr. Zaccaro "can't act as a broker, collect commissions or fees, or manage property that is not his or his firm's," for 90 days, Mr. Brown said. The suspension can be appealed.

Mr. Zaccaro pleaded guilty in January to "scheming to defraud" while trying to help a client buy five New York City apartment buildings last year.

Mr. Zaccaro's attorney, John Koegel, said Tuesday the suspension was an unfair penalty for actions that "would never have come to anyone's attention were it not for the political atmosphere that he was thrust into. This is an unwarranted action, it's a big deal about nothing."

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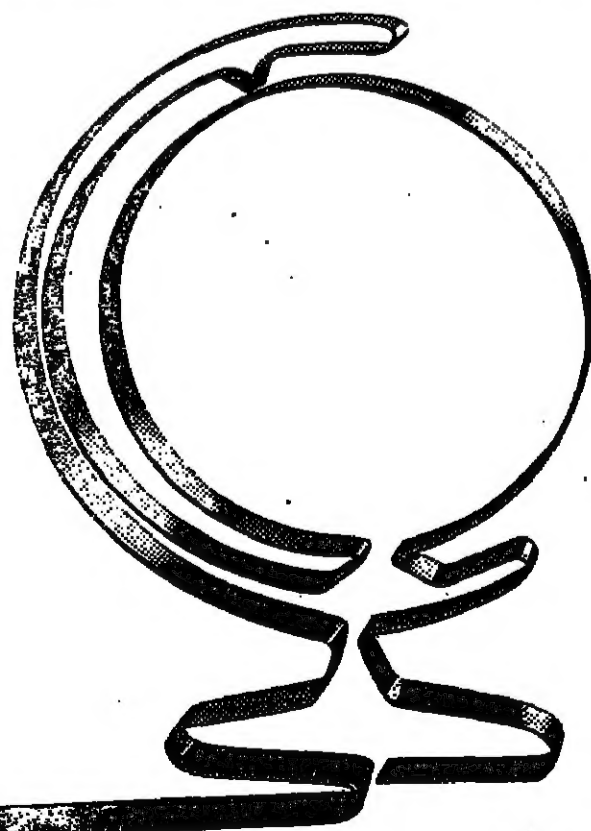


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Five Months for SALT-2

President Reagan has reached the right decision in postponing a clear violation of the SALT-2 missile limits next fall. He will "plan" to deactivate and dismantle one old-fashioned Poseidon missile submarine when a more potent Trident goes to sea. That buys five months for arms control negotiations. It also buys the time he would need to prove that America is not primarily to blame if they should fail.

Even if the Poseidon dismantling proceeds, the costs would be negligible. Keeping the submarine in service would exceed the SALT-2 treaty's ceiling — of 1,200 missiles with multiple warheads — by a total of 14 missiles. To have opted for that treaty breakout now would have risked torpedoing the Geneva arms talks, offending the NATO allies and undermining President Reagan's campaign to call attention to more ambiguous Soviet violations.

All this emphasis on violations is peripheral in any case. Both superpowers have reason to be perturbed about the pace of the arms race. What truly concerns them is not this old submarine or that secret lunge for marginal advantage but their wholly open acquisition of huge new weapons systems.

Mr. Reagan rightly complains about the disturbing Soviet buildup of the last decade, however much it is permitted by treaty. The Russians rightly complain of the alarming Reagan plan for a "star wars" defense, however much it, too, is so far permitted.

It is only a matter of time — very little time — before these exertions move from violating the spirit of arms control to destroying the core of the SALT-1 and SALT-2 accords. The first

has expired and the second was, at Mr. Reagan's initiative, never ratified. There is not much comfort to be found in the intervening Soviet and U.S. pledges nonetheless to observe the accords until new treaties can be negotiated. If Mr. Reagan and Mikhail Gorbachev do not shake hands on something firmer before SALT-2 also expires in December, they are bound to turn from constructive negotiation to bitter recrimination about their costly failure.

President Reagan's decision on the Poseidon, right as it is, does nothing to resolve the disagreements over arms control inside his own administration. Defense Secretary Caspar Weinberger loudly advertised a desire to answer Soviet treaty violations with an American violation. That makes Monday's choice by Mr. Reagan appear momentarily conciliatory. But the Pentagon comes away with ample authority to plan for more significant treaty breakouts: for testing a Midgetman missile as a supplement rather than replacement for the MX, and also exotic technologies that jeopardize the most significant of all arms agreements, the Anti-Ballistic Missile treaty forbidding significant missile defense.

Mr. Reagan thus plays out to the last available months his strategy of frightening the Russians with an economically ruinous arms race for offensive and defensive weapons. If he has judged right, a timely offer to restrain his "star wars" effort may yet yield a major reduction of both sides' offensive missiles. If not, no amount of concern for old treaty limits will contain the tense competition that lies ahead.

— THE NEW YORK TIMES.

It could not have been easy for President Reagan to decide to stick with his policy of not undercutting SALT-2, the (unratified) treaty he had done so much to identify as the epitome of bad arms control. His constituents on the right were bound to recall, in outrage, that he had labeled it "fatally flawed." Pentagon civilian chiefs were pressing him hard to scrap the treaty. Soviet violations are both serious and accepted enough to have given him a strong rationale. Yet Mr. Reagan accepted more pragmatic counsel and did the right thing — in part to boost the Geneva talks. He agreed to keep in force the policy of not undercutting the terms of the unratified agreement and to stay under a key SALT-2 ceiling not by the gimmicks of deactivating an old Poseidon submarine but by dismantling it outright.

Mr. Reagan has walked a fine line between hotly contending parts of his administration. In effect he said to Secretary of State George Shultz and other partisans of the "no-undercut" policy: I am giving you five months to show that it will produce comparable Soviet restraint plus a good-faith Soviet approach to the Geneva talks. To Secretary of Defense Caspar Weinberger and others who wanted to scrap SALT-2, he said: Hold on for five months and then you may tell me what addi-

tional arms-building steps are an "appropriate and proportionate" response to the military consequences of uncorrected Soviet violations.

This, then, is Mr. Reagan's response to the problems caused by the Soviet compliance record. One need not accept every item in the Reagan bill of particulars to acknowledge that the Russians have violated in different ways important elements of various arms control agreements. Mr. Reagan had an obligation to show that he was addressing this special question seriously, and not just to make good on a campaign pledge or to win the American people's trust for further negotiated arms control.

In the process he has given Secretary Shultz an extremely demanding assignment, one for which he will need a degree of Soviet cooperation that is hard to imagine. In the short space of five months Mr. Shultz is to produce new Soviet restraint on violations — a sensible demand, although one that entails difficult issues of definition and verification. He is also to produce progress at Geneva. This may be an impossible condition, given the deadlock now prevailing and the difficulty of breaking it now even if compliance were no issue. In any event, Mr. Reagan has contrived to ensure that November will be a dramatic month.

— THE WASHINGTON POST.

Poland Moves in Reverse

General Jaruzelski's Warsaw regime speaks softly to the West of amnesties and reconciliation. To Poles that same regime constantly speaks with the big stick of repression.

A year after an amnesty that led to the release of 650 political prisoners and the relaxation of Western sanctions, more than 100 political activists are back in prison. Three of the most prominent ones are now in the dock at a crude show trial in Gdansk, facing sentences of five years for inciting public unrest.

Today's Poland is a civil rights disaster area. Activists continue to be hounded and, as the kidnapping and murder of Father Jerzy Popiełuszko showed, the hounding is not just judicial. Bravely, tens of thousands of Poles continue to demonstrate resistance, but their demonstrations are being forcibly suppressed.

Other Opinion

Keep SALT-2 and Better It

The Reagan administration has solved its internal difficulties over the SALT treaty — for that is what they chiefly are — by sticking more or less to the treaty's terms but doing so with minimum grace. The fact that the argument has been won, for the time being, by [George] Shultz and the State Department is offset for presentational purposes by heavy hints of retaliation for Soviet misconduct of the kind which [Caspar] Weinberger and the Pentagon like to hear.

The value of SALT-2 is not in the limits which are imposed on both sides. Those limits are ridiculously high. The value is the existence of a framework, however crude, which provides each side with reference points in its dealings with the other. As an arms control treaty, SALT-2 is almost there in its loopholes and inadequacies. (SALT-20s and cruise missiles fall outside its scope, for example.) But as a focus of such political agreement as exists between the two sides it is essential to keep it in place until it can be improved upon.

— The Guardian (London).

FROM OUR JUNE 12 PAGES, 75 AND 50 YEARS AGO

1910: U.S. Income Tax Is Unwanted
NEW YORK — On the federal income tax, The Hartford Times says: "It may now be regarded as certain that the income tax amendment will not be ratified by three-fourths of the States in its present form. Every New England State may be safely counted against it, and opposition of only twelve States is needed to defeat it." The New Orleans Picayune adds: "When it comes to giving the national government a club to break down our State's credit and tax our taxes, that would convict the Southern people of a submission that emulates the lowliness of the dog that licks that hand which smites him." The St. Louis Post-Dispatch remarks: "We should not tax poverty. We should tax wealth. There would be no danger of Congress imposing a crushing tax upon [our] incomes."

1935: Intermarriage in South Africa?
LONDON — Returning from South Africa, George Bernard Shaw has proclaimed himself an advocate of intermarriage between blacks and whites. "The question is beginning to arise," Mr. Shaw declared in the Daily Telegraph, "whether white people can survive in South Africa. Mr. Oswald Pirow, Minister of Railways, made an appeal for immigrants, who were 'necessary to keep up the white population.' But South Africa doesn't fill up. The mixture of two colors may provide the solution. It is not a question of black and white. There is no such thing as a white man on the face of the earth: the Chinese call us the 'pinks,' very properly. The Zulus are a superior type of person, and all attempts to keep them in an inferior position seem to break down before the fact that they are not inferior."



A Semi-Victory for Substance Over Hard Rhetoric

By Joseph Kraft

WASHINGTON — The distribution of power in the second Reagan administration finds precise expression in the decision to abide by the SALT-2 treaty even though it has not been ratified. The White House rhetoric sounds tough. But control over most substantive issues — foreign policy as well as taxes and the budget — has passed out of the White House. Mr. Reagan has been assigned the role of hanging semi-tough.

On budget matters the point is obvious. The serious work is being done by Budget Director David Stockman and the Republican Senate leadership under Bob Dole. Mr. Reagan has had to go along with their moves to curtail military and Social Security spending. He will probably have to go further as Mr. Dole and Mr. Stockman work out a compromise with the House Democrats. The threat of a veto, implied in the smart-aleck dare to "make my day," is rhetoric.

On tax reform the work is being done by the Treasury under James Baker. In making accommodation with oil and gas interests, Mr. Baker turned Mr. Reagan around, and also the White House chief of staff and former Treasury secretary, Don Regan. Similar adjustments may be worked out as the legislation moves through the House and Senate. Talk about a "second American revolution" is also rhetoric.

In foreign policy, the heavy input comes from the State Department under George Shultz and from the National Security Council under Robert McFarlane. The Defense Department, under Caspar Weinberger, and the CIA, under William Casey, are consulted, of course, and their positions tend to be amplified by the White House noise-makers under Pat Buchanan. But Pentagon procurement scandals and defense budget problems have sharply reduced the Weinberger clout. The big losers in the decision against renouncing SALT-2 were Mr. Weinberger, Mr. Casey and Mr. Buchanan. All three had laid great stress

on Soviet "violations" of SALT-2. Mr. Weinberger's chief gun on strategic matters, Assistant Secretary of Defense Richard Perle, had advertised his views in a public speech on the subject. The rhetorical side of the White House had backed up the hard-line view by recalling that, in the 1980 campaign, Reagan had attacked the SALT-2 treaty as "fatally flawed."

But Mr. Shultz fought hard against a formal break with SALT-2, and mobilized forces that could not be ignored. At a meeting of the NATO Council in Lisbon, allied foreign ministers to a man supported him in resisting an overt breach of the rules. Earlier both Houses of Congress had passed by overwhelming majorities resolutions opposing formal denunciation. The implication was that Congress would make the already sticky going on the defense budget a lot stickier if Mr. Reagan departed from the terms of the treaty.

The national security adviser, Mr. McFarlane, deftly appropriated the military. The Joint Chiefs were asked whether, from a strictly military view, it would be better to honor SALT-2 and its mechanism for checking violations or to kick free of the treaty restraints. Their judgment was that the military outcome was inconclusive — in the words of one senior official, a "wash."

With that mandate in his pocket, Mr. McFarlane drafted language that made it possible to honor the treaty for the time being while nodding in the direction of the previous assertion that SALT-2 was "fatally flawed." The key provision, announced on Monday, is to deactivate under months a submarine due to be scrapped under SALT-2. Thus Mr. Reagan awaits Soviet performance on arms control before finally going along with the treaty by retiring the sub. He reserves the right to react in response to any actions by Moscow perceived to be violations of the treaty. The upshot is postponement of a deliberate effort to destroy the Geneva arms control negotiations. The talks can proceed for several more months before the United States thinks again about breaking the SALT-2 treaty in a way that might lead to a Soviet disavowal of the whole process. With a little progress in the Geneva talks, the treaty can be kept intact.

Los Angeles Times Syndicate.

Third World Centrists: Denying Them Can't Help

By Leon Wieseltier

WASHINGTON — In recent years, U.S. foreign policy in the Third World has been based on a despair of the center. There is no third way, Americans concluded, between the extremes of fascism and communism. But that may be wrong.

José Napoleón Duarte has established, for the good of Salvadoran peasants and U.S. policy-makers, the new plausibility of the center. He deserves much of the credit for the success of moderation in his country — and so does Washington.

Still, before the Reagan administration swells in self-congratulation, it is worth noting that the progress in El Salvador did not follow from the administration's foreign policy formulas. Quite the contrary. The frustration of Salvadoran extremism was achieved precisely by the violation of those formulas.

Ronald Reagan came into office with a principled readiness to soil American hands in the defense of freedom. He argued that the hours late, in developing societies in which revolution had begun, to hope for an avenue between the tyranny of Leninism and the savagery of the mili-

tary machinery that was resisting it. The liberal insistence on such an avenue was scorned as "soft."

To thwart Moscow, which was expertly exploiting instability in places pertinent to U.S. security, Washington would have to swallow its disgust and make alliances with murderers, who were craftily called "authoritarian." Poverty in El Salvador notwithstanding, the emphasis of U.S. aid would be military. This was a foreign policy for which the time was always twilight, for which the task was always to traffic with lesser evils.

According to the president's analysis, in short, Mr. Duarte was an impossibility, a figment of the liberal imagination. The United States, it was quietly and not so quietly suggested, should side instead with the authoritarianism of ARENA, Roberto d'Aubuisson's lethal party of the right. Indeed, Americans flirted with such a choice, until it was discovered that this authoritarianism was not above an attempt to assassinate the U.S. ambassador, Thomas R. Pickens. Then Washington came to its

senses and acted on the advice it had rejected. It helped the middle.

To be sure, Mr. Duarte's rise to power would not have been possible without the support of an enlightened echelon of the Salvadoran army. But its enlightenment — in effect, its policing of itself — was a result of the conditions that the U.S. Congress placed on military aid. (Many in Congress were more against military aid than for the emergence of the center, but for the effect was the same.)

Anyway, the anti-Communist, anti-fascist Mr. Duarte was never an enemy of the war against the guerrillas. He was an enemy only of the war against his own population. A serious moderate can be perfectly compatible with a serious military.

How much encouragement should be taken from the improvement in El Salvador? As one U.S. official remarked, U.S. help "would have been useless without good raw material." The Third World is not exactly teeming with Duarte's. There are places where "tough choices" may have to be made. Still, a lot will depend on

the reading of "good raw material." In El Salvador there existed the social and political basis for democracy. Mr. Duarte is the product of an urban middle class committed to civil liberties and the economic blandishments of an open society.

Moreover, the U.S. part in the modern history of the region, while not exactly one of its finest chapters, had the ironic consequence of imparting democratic ideals, if only by honoring them in the breach. Latin American democrats frequently invoke Jeffersonian principles.

Such conditions for the center may be found in other spots of turmoil, most notably in the Philippines. There, a Duarte-like figure exists in the person of the opposition leader, Salvador Laurel. Yet the United States, in defiance of all the rules for a Duarte-like success, continues to encourage the extremism of President Ferdinand Marcos.

The United States cannot invent democrats around the world. But surely it can help them when they are there. It will not help them if it decides at the outset, out of a kind of conservative defeatism, that the only work that remains to be done is dirty.

The writer, literary editor of The New Republic, contributed this comment to The New York Times.

One Country Editor's Last Deadline

By James Reston

MARTHA'S VINEYARD, Massachusetts — One of the most interesting things about journalism in America is that so many of its memorable characters have been country editors. From Tom Paine to Mark Twain, and the Baltimore crowd from Henry Menckens to Russell Baker, it has been the hicks from the sticks who took over the big city crowd.

Now have the television news heroes of recent years been dominated by city slickers or Ivy League types, but by Walter Cronkite out of the Middle West and Texas, Eric Sevareid of Minnesota, Tom Brokaw of Kansas, and, among others, David Brinkley and Roger Mudd of the University of North Carolina.

I mention this merely to note the passing of a great country editor, Henry Beetle Hough, who died the other day on Martha's Vineyard Island at 88, after 65 years as editor of The Vineyard Gazette. He is, in my mind, a symbol of this country journalism that has been and still is the school where most prominent modern reporters got their training.

Mr. Hough was an old-fashioned man who believed that sticking to the news of the island was more important than worrying about the confusions on the mainland. He reported on the central questions of life — birth, marriage and death — but he was not interested in divorce unless it was an unavoidable island scandal.

His main concern was the preservation of the unity, privacy and beauty of the island. In 65 years he seldom left it except once in a while to meet his responsibilities as the head of the Thoreau Foundation in

Boston, or to check in at the Massachusetts General Hospital in Boston where he was in trouble. A young colleague on The Gazette asked him one day if he didn't long occasionally to see the world beyond the waters of the Vineyard. "Not often," Henry Hough said, "but when I feel the urge coming on, I collect a bunch of old National Geographic magazines, climb up to the attic of The Gazette and stick my feet in a bucket of cold water until the feeling wears off."

He worried about death and retirement. In his book "Country Editor," he suggested "that death is the most characteristic of all the forces in a country town, because there are always so many old people living there, and the passing of an individual is so much more important than it is in the city. Besides, a town has time to mourn."

"The obituary is a distinctive story-form for the country weekly because it has to tell not only the stark facts of somebody's life, but it has to tell also a little of what that somebody was like, and what his career seemed to stand for. It has to tell even what a nobody was like, for the poorest citizen is in the eyes of the town a man."

I amused Mr. Hough when one of our old newspaper buddies here on the Vineyard, Ned Smith, of the old Herald Tribune and the New York Times, made a speech, saying: "Death is no big deal — almost any of us can manage it. Living is the trick we have to learn."

Mr. Hough learned that trick well. He thought the thing was to concentrate on simple things: his family, his paper, his community, and nothing else. He made some enemies in the process, for he wanted to limit the growth of the island, while others wanted to get more people, more houses. At the end he thought he was losing.

In some ways he was wrong, and too pessimistic. Thirty-five years ago he worried about retirement and death. In 1950 he wrote the following in a lovely book called "Once More the Thunder":

"How to resign the duties of a country editor — that is what we should like to know. . . . Apparently there is no way to taper off as there is in some worldly occupations. It is all or nothing, until the end, whatever the end of country editorship may be, presents itself like the press time of a Friday afternoon."

"How to sweep the papers from the desk that have been there so long, and leave the heap of exchanges unopened, and hear the telephone ringing but let it go unanswered as one steps through the door as an editor for the last time, into a street of mellow twilight twilight of course because quitting time must be fall, with the white houses of the town early in shadow and the stores already lighted as one walks home through the creeping, aromatic New England dusk."

Mr. Hough wrote that 30 years ago, but he continued on until a few days ago when he wrote his last editorial. Always a pugnacious man, he died at 4 o'clock on Thursday afternoon just before deadline on his Friday paper.

The New York Times.

Nicaragua: A Neat War Is Unlikely

By Tom Wicker

NEW YORK — For U.S. military forces, an invasion of Nicaragua would be "like falling off a log," says an intelligence officer. And an official of the army's Southern Command estimates that it would take only two weeks to gain control of 60 percent of the Nicaraguan population. So there's light at the end of the tunnel even before the United States strides into a new quagmire.

No sweat, a "U.S. political-military officer in the region" has told Joel Brinkley and Bill Keller of The New York Times: "The U.S. would come in heavily for a month or so, mostly with air strikes against major facilities. Then a new government would be put into place, and it would come with its own army" to clean up whatever resistance might remain.

If that sounds familiar, it is. Secretary of Defense Caspar Weinberger's "limited strikes" was supposed to make short work of the primitive Vietcong and the North Vietnamese, too, with few American casualties from a dirty ground war. For a long decade of death and destruction, the United States searched for a popular and effective government to "put into place" in Saigon — never grasping that a government handpicked by Washington could have little legitimacy in Vietnamese eyes. And the South Vietnamese army that the United States organized, supplied and trained in the American military image proved to be mostly a supplier of abandoned American weapons to an enemy it hardly tried to defeat.

Does that reflect the much-debated "Vietnam syndrome" or "fear of the use of power"? No, it reflects the hard but essential lessons — taught not just in Vietnam but in Afghanistan as well — that political problems do not necessarily have military solutions, and that military and technological might cannot always overcome a politically or patriotically motivated populace.

But Nicaragua would be different. Messrs. Brinkley and Keller have been told. For one thing, the population would "rise up" to support the invaders — an expectation that ignores the history of gringo military intervention in Central America and assumes that Nicaraguans so hate the Sandinist government that they would welcome another intervention and a new U.S. occupation.

If so, would the Sandinistas have armed Nicaraguans so extensively and given military training to so many? Why doesn't this armed people rise now and join the "contras" that the Reagan administration organized and supports? Isn't it as likely that a U.S. invasion would increase patriotic support for the Sandinists?

And if the government that Washington would "put into place" were derived, as is probable, from the same "contras," then elements of the Somoza regime that Nicaraguans really did rise against would be restored to power. Would such a tainted government, or the army that the United States would train and equip, be likely to gain sufficient popular support to win a quick war over the Marxist but "nationalist" guerrillas that the Sandinists would send to the jungles? Experience in Vietnam and Afghanistan argues against that.

The Times reporters were assured that the Sandinists would have no Ho Chi Minh Trail, and that Nicaragua could be sealed off "tighter than a drum" by air and sea power — both notions again. But guerrillas are not totally dependent on outside supplies. They can live off the population, and — as in El Salvador and Vietnam — they can arm themselves with captured U.S. weapons from the halfhearted armies that pursue them.

Suppose it did not turn out to be a "splendid little war"? As one cautious colonel warned: "I've been in the army 24 years and I've never seen anything neat." The army says it should not be asked to fight against without public support, but in a television age, with American families watching body bags again coming home from a frustrating war in which firepower and technology cannot find an enemy to pulverize, how long could public support be maintained?

Even without a war, polls show no majority backing for overthrowing the Sandinists. Even the Reagan administration concedes that a U.S. invasion would be a political disaster in the rest of the hemisphere. And it is not necessarily true that the United States soon may have no other choice but to send in its troops.

The New York Times.

LETTERS TO THE EDITOR

Toward an Army Apart

In response to the report "Study Calls Reporters a 'Necessity' Where U.S. Troops Are in Combat" (May 31):

The report by the Twentieth Century Fund Task Force on Military and the Media addresses just one aspect of the growing gap between the military and the rest of American society. The all-volunteer armed forces, in spite of some positive qualities, will inevitably be the source of a "gap" in American society.

The armed forces are not a cross section of the population. Minority groups are represented far in excess of their proportion of the citizenry. Cross-fertilization between the military and the rest of society is severely limited, as military personnel tend to their careers and other Americans struggle in the marketplace.

Career military personnel have always had limited contact with other walks of life. But in a few years virtually no high government official or influential civilian — Congressman or corporation executive, judge or journalist — will have had military experience. At that point, what sort of mutual understanding will exist between the elites of American society and the leaders of its armed

forces? When budgets are drawn up, missions assigned, forces committed and credit or blame assessed, how will the military institution interact with a society to which it does not fully belong? Will the interests of the military begin to diverge from the interests of society as a whole?

These are some of the questions which our country must address if it wishes to remain a democracy.

B.D. SCHULLER,
Estoril, Portugal

No Discrimination at All

Anthony Lewis's opinion column on reverse discrimination ("Cracking in Favor of White Men," June 7) confuses the issue. He promotes the principle that one keeps hearing from people like him: Discrimination according to sex and race is sometimes good (if it suits social purposes they approve of) and sometimes bad (if it suits social purposes they disapprove of). Mr. Lewis and those who share his social need to learn that it is discrimination that is wrong. The principle is simple enough: You deal with people according to their competence, not their race or sex.

WILLIAM C. DOWLING,
Cologne

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Block Says U.S. and EC Agree on Need to Avoid Trade War on Subsidies

PARIS — The U.S. agriculture secretary, John R. Block, said Tuesday that he and European Community farm ministers had agreed on the need to avoid a trade war over subsidies to their food exporters.

But he said that there could be no quick reversal by Washington of its recent \$2-billion export bonus plan to increase the sales of American surplus farm produce.

In the first announced sale under the plan, the United States will sell one million metric tons of wheat to Algeria, including an unspecified quantity of surplus wheat to be released from U.S. government stocks and given to U.S. exporters at no cost.

"If I was convinced by more than just words that agreement could be reached to resolve our trade differences," Mr. Block said, "over a period of time, we could back away from this program."

But he said the plan was also supported by Congress, and that the administration could not move away from it unilaterally.

He was briefing reporters on a working dinner Monday night with some farm ministers from the 10-nation European Community. He called the meeting "constructive and very useful." The ministers

were in Paris for the annual ministerial meeting of the United Nations World Food Council, which started Monday.

Mr. Block said that both the United States and the community recognized that subsidies had to be reduced. "A trade war only benefits the buyers, not the sellers, so we must find ways to avoid a trade war," he added.

The French agricultural minister, Henri Nallet, and the minister of foreign trade, Edith Cresson, said earlier this week that the U.S. bonus export plan risked provoking retaliation from Europe.

The United States and the EC disagree over how to deal with agricultural issues in the proposed new round of international trade negotiations through the General Agreement on Tariffs and Trade, or GATT.

The EC farm commissioner, Frans Andriessen, told the World Food Council on Tuesday that the community was ready to negotiate in the GATT framework provided that talks on agriculture were not just restricted to EC farm policies.

On Monday, President Francois Mitterrand of France told the World Food Council that France would oppose pressure for free trade in agricultural produce in any future world trade talks.



John R. Block

He also proposed that world food trade should be organized to protect the livelihoods of farmers in developing countries. Mr. Block said Tuesday that he opposed Mr. Mitterrand's suggestion.

Mr. Block denied that the bonus program amounted to the United States dumping surplus grain on world markets. He said the program did not contravene GATT rules.

Ministers Discuss Cereals
EC farm ministers returned Tuesday to negotiations in Luxembourg to try to agree on cuts in cereals prices, Reuters reported.

West Germany has blocked moves to bring the community's guaranteed minimum prices more into line with lower world prices, threatening to veto even modest cuts.

Gandhi Aides Fear a Shift From Domestic Priorities

By Steven R. Weisman
New York Times Service

NEW DELHI — Prime Minister Rajiv Gandhi continues to enjoy popularity at home, but some of his associates are frustrated at the slow pace of progress in solving India's problems.

More than one political commentator in India has noted that Mr. Gandhi's recent travels reflect the standard practice of political leaders to shift their attention to global concerns as a respite from problems at home.

Mr. Gandhi has been spending a lot of time on the road. Two weeks after returning from a six-day trip to the Soviet Union, he was off again for visits to Egypt, France and Algeria before arriving in the United States on Tuesday. He is to stop in Geneva before returning to India next Monday.

Mr. Gandhi's aides, meanwhile, acknowledge that much of the urgency has gone out of their efforts to solve what most agree is India's biggest domestic crisis: the turmoil surrounding the demand by Sikhs for greater autonomy in the Punjab.

Last week marked the first anniversary of the army raid on the Sikhs' holiest shrine, the Golden Temple in Amritsar, in which hundreds of Sikhs were killed. The raid was ordered by Prime Minister Indira Gandhi, Rajiv Gandhi's mother.

In an interview last week with reporters from U.S. news organizations, Mr. Gandhi acknowledged



Rajiv Gandhi

Government officials feared there would be renewed bombings and killings by Sikh extremists to commemorate the Golden Temple raid. Even the less militant Sikh leaders had called for agitations and demonstrations in honor of what they called "genocide week."

But perhaps because of a heightened army and police presence throughout northern India, especially in the state of Punjab, there has been little violence.

In an interview last week with reporters from U.S. news organizations, Mr. Gandhi acknowledged

that government actions in the crisis were being held in abeyance. "We're waiting to see a response from them," he said of the Sikh leaders. "We're not talking to anyone at the moment."

Many of the prime minister's associates have expressed frustration over the fact that concessions by the government have failed to persuade Sikh leaders to negotiate a peaceful resolution of their demands. But Mr. Gandhi said he had been encouraged, at least, that most Sikh leaders deplored the bombings by Sikh extremists last month. The bombings killed more than 80 people in northern India.

Some of Mr. Gandhi's other initiatives also have recently seemed bogged down.

A long-promised package of educational changes is reportedly still being studied by officials. And many experts have wondered if the recent reaffirmation of socialism by the governing Congress (I) Party would lead to a slowdown in the effort to free the economy of government controls.

The prime minister's government proposed a new textile policy last week, saying a range of regulations would be reviewed. The policy calls on greater latitude by industry leaders to determine what to produce, based on their view of the market.

Increasingly, the army has been used to quell disturbances. It was called out 175 times in the last year and a half, twice the number of times in the previous two years.

In the interview last week, Mr. Gandhi said he saw ethnic and sectarian violence as a product of progress in India, rather than the lack of it.

"I see it as really part of the development process, trying to do things in maybe 30 or 40 years that other countries have taken hundreds of years to do," he said. "Whenever there is such rapid change in society, tensions are bound to come up."

Mr. Gandhi continues to push for the importance of high technology in his country's future. In his visit to the United States, he and President Ronald Reagan may formalize an accord permitting the United States to export computers, lasers and other high-technology items to India. Mr. Gandhi also plans to visit the space center in Houston to signal the increased cooperation between the two countries in space exploration.

In the interview, Mr. Gandhi

said he was aware that many people had advised India to pay less attention to outer space and computers and more to the poverty of hundreds of millions of Indians.

"I think the people in Africa and Latin America have paid far too much attention to such advice," he said.

It is not merely a matter of high technology's improving Indian self-sufficiency in agriculture and other areas, he went on, adding: "Apart from that, there has to be something that we are building up to. If you try and get the lowest common denominator for everything, then we're going to be moving backward, and not progress at all."

The prime minister's aides say the one breakthrough Mr. Gandhi has made was in changing the political process itself. They note with satisfaction his removal of many of his mothers' old-line political advisers.

Portugal, Spain to Sign Treaty Today

BRUSSELS — Spain and Portugal will sign Wednesday a treaty allowing them to join the European Community.

Their membership in the bloc will start formally on Jan. 1, bringing to 12 the number of member nations. Six nations signed the founding Treaty of Rome in 1957.

Portugal will sign an accession treaty in Lisbon in the morning and Spain in Madrid in the afternoon. The signing comes after more than eight years of negotiations and is seen by EC leaders as a political act, bringing the two countries formally into the fold of Western democracy.

The prime ministers of Italy, which currently holds the community's rotating presidency, Belgium, Denmark, France, Ireland and the Netherlands will attend the ceremonies. The other members will be represented by their foreign ministers.

All heads of government were due to attend, but Prime Minister Margaret Thatcher of Britain could not leave London during a visit by the president of Mexico, President Francois Mitterrand of France and Chancellor Helmut Kohl of West Germany also dropped out.

As it prepares to expand, the community is engaged in debate on whether it should take a more overt political direction. This question is likely to dominate a community summit meeting at the end of June to which the Spanish and Portuguese prime ministers have been invited.

Diplomats said NATO leaders were confident that membership in the community would convince reluctant Spaniards to remain within the Western alliance when they vote in a referendum on continued NATO membership in February.

The two new members will tilt the EC balance toward the southern states, altering much of its character, style and concerns, many diplomats and officials believe.

"From now on you're going to hear more about tomatoes than about herrings," a diplomat said.

Claude Cheysson, a former French minister for external relations, said recently that he expected the Spaniards especially to bring with them a more lively and aggressive style.

Diplomats said it was unclear where Spain and Portugal would stand within the EC's fluctuating alliances.

Their economic rivalry with Italy, France and Greece over Mediterranean products was expected to prevent the emergence of a cohesive southern front, they added.

But being among poorer states likely to be major beneficiaries of the community's farm largesse, they would probably want to see more cash contributed by northern states, bringing them into conflict with West Germany and Britain.

The treaties of accession must be ratified by the national parliaments of all 12 countries.

French Test Nuclear Device

Wellington, New Zealand — France detonated Tuesday its fourth nuclear device of the year in the Pacific Ocean, the New Zealand Seismological Station reported.



DEATHS ON ISRAELI BUS — Police and volunteers remove dead and injured from a crossing south of Haifa, where a train struck a bus carrying children to the beach. The toll was 21 dead, mostly children, including the bus driver, and 17 injured. The accident occurred at an unguarded crossing where there was only a sign cautioning drivers.

Report Sees a Europe Divided by EC

The Associated Press

STRASBOURG, France — The enlargement of the European Community to 12 members with the signing Wednesday of the treaty admitting Spain and Portugal could widen the gap with non-member countries and exclude some of them from mainstream political life in Western Europe, a report submitted to the Council of Europe says.

The report, to be released

Wednesday, says that separating the EC countries from the rest of Western Europe could have "very serious" consequences. It suggests ways to bridge the gap.

The document was written by a committee of nine headed by Emilio Colombo, a former prime minister of Italy. The nonpartisan committee includes members from France, Britain, Norway, the Netherlands, Spain and Austria.

Council sources said the report

welcomes the entry of Spain and Portugal into the EC, but says this may lead to the isolation of non-members, including Sweden, Norway, Switzerland, Austria and Turkey.

The sources said the report recommended that the community itself become a member of the 21-country Council of Europe, that the EC adhere to council conventions and, in turn, that all council members consider incorporating EC directives into their laws. All West European countries except Finland are council members.

Sihanouk Makes Plea to U.S.

(Continued from Page 1)

alition's recognition by the United Nations as the legitimate government of Cambodia could eventually be withdrawn.

He said the only prospect of a military removal of the Vietnamese was if China used its forces to "punish" Hanoi with an assault across the two countries' common frontier, as it sought to do in a brief war in 1979.

But the prince said it was clear from his contacts with Chinese leaders that Beijing had decided that the "second lesson" for Vietnam, of which senior Chinese officials spoke earlier this year, had been set aside as too costly at a time when China is engaged in a program of economic modernization.

"China will not invade Vietnam," Sihanouk said. "They have their own interests. If China cannot afford to go to war with Vietnam, I cannot compel them to go on the grounds that we are in difficulties on the battlefield."

Apart from going to war, he said China had given the guerrillas everything they could ask for.

He was at his most philosophical in discussing the Khmer Rouge, whose policies of mass execution and forced resettlement of urban dwellers in the countryside led to the deaths of a large proportion of the Cambodian population from 1975 until 1979. He said he believed about two million people

had died, among them five of his children and 14 of his grandchildren.

The prince said he originally regarded the Vietnamese invasion as the lesser of two evils. But later, he said, when it became clear that the Vietnamese intended to remain, he concluded that they were a greater danger than Pol Pot, the Khmer Rouge leader. He said there was no prospect of Pol Pot's ever becoming the dominant figure in Cambodia again.

"I love my people and I love my country," the prince said. "But I have to be realistic. I cannot be blind to facts. As a Buddhist, I must get rid of hatred and vengeance."

He added: "By staying with the Khmer Rouge, I try to persuade them not to create more sufferings for my people. If I decide to fight them or denounce them, I can have no influence, no opportunity to persuade them to deal reasonably with the Cambodian people."

East German Flees to West

HANOVER, West Germany — An East German laborer climbed over border fortifications near Hanover late Monday night and reached West Germany unnoticed, border police said Tuesday. The man was working with others setting up fences along the frontier.

Some Arabs Are Critical Of Peres Plan for Peace

The Associated Press

CAIRO — Some Arabs reacted coolly Tuesday to the Mideast peace proposal outlined Monday by Prime Minister Shimon Peres of Israel.

State-run newspapers in Egypt refrained from comment, but other Arab newspapers criticized the plan because it ignores Arab calls for an international conference and excludes the Palestine Liberation Organization from a role in negotiations.

Mr. Peres outlined his five-point proposal in a speech to the Knesset, the Israeli parliament.

He rejected the Jordanian idea of a conference among the five permanent members of the United Nations Security Council — the United States, the Soviet Union and Britain, France and China — and the PLO.

Mr. Peres countered, however, with a proposal to "enlist the support" of the five powers for direct talks between Israel and a Jordanian-Palestinian delegation. It was the first time Israel had offered its own set of proposals since President Hosni Mubarak of Egypt set peace moves in motion in February by calling for direct talks.

Mr. Peres's five points were: • Continuing the talks between the United States and Israel, Jordan, Egypt and Palestinians who are not PLO members.

• Creating Israeli and Jordanian-Palestinian teams to set an agenda for a peace conference, "with the participation of the United States."

• Enlisting the support of permanent Security Council members for direct talks, "without their precommitting themselves to support the stand of one of the sides."

• Appointing "authentic" Palestinian representatives from the occupied West Bank of Jordan and the Gaza Strip, areas Israel captured in the 1967 Arab-Israeli War.

• Convening an opening conference within three months, at a place to be agreed on in the United States, Europe or the Middle East.

In Amman, Jordan, Nabil Amer, a spokesman for the PLO, said the Peres proposal offered "nothing new" and was "against all the points" proposed jointly by the Palestinians and Jordan.

The state-influenced daily newspaper Al Itihad, published in Abu Dhabi, said the Peres formula was aimed at avoiding "unanimity on the ideas of an international conference" and showed that the Jewish state was "clearly prevaricating" on peace moves.

Al Raya, published in Qatar, said the Peres plan appeared to be an effort to put forward a peace proposal that the national unity government could agree on.

[The purpose, they said, is to try to shift to the Arabs the onus of disputing arrangements for the peace talks.]

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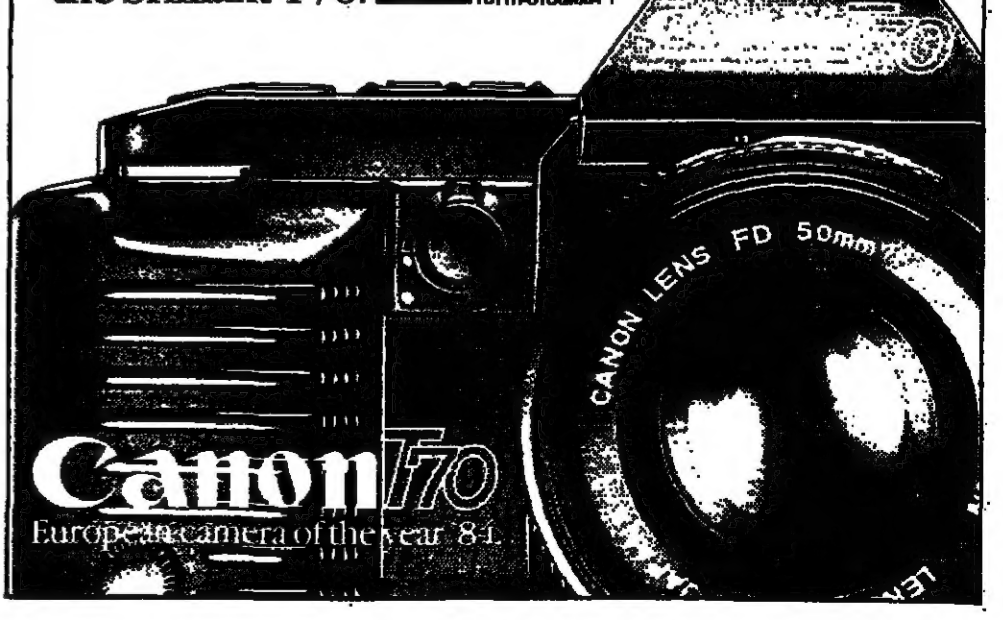
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INSIGHTS

U.S. College Tuition: It's an Auto Dealer's Mix of Discounts, Lures

By Edward B. Fiske
New York Times Service

NEW YORK — When Laura Hurwitz opened her letter of acceptance from the College of Wooster in Ohio last month, she found that she had been offered an unsolicited scholarship of \$1,000 a year. To her father, who heads the breakfast foods division of General Foods, it struck a familiar chord.

"It reminded me of how we give out coupons good for 25 cents on the next purchase of Post Raisin Bran," said David F. Hurwitz, who lives in Darien, Connecticut. "Laura was offered a 10-percent discount on a college education."

The Hurwitzs' experience reflects the recent blurring of differences between the pricing policies of higher education and those of other highly competitive industries such as automobiles and airlines.

Most colleges and universities have announced tuition increases for next autumn that range from 7 to 10 percent. The tuition hikes are lower than those of recent years but are still twice the rate of growth in the Consumer Price Index, which measures the average change in prices of U.S. goods and services.

To justify the increases, institutions cite factors ranging from the labor-intensive nature of teaching to cutbacks in federal aid for students. But interviews with economists, college financial officers and others across the nation suggest that the real reasons are far more complicated and involve assumptions and practices that go largely unnoticed. Among them are the following:

- Many colleges have few incentives to keep costs low and set official tuition rates as high as the market will bear.
- Discounts of various kinds are routinely offered to certain categories of students.
- Officials of competing colleges frequently share financial information in ways that some concede would be illegal in the commercial sector.

• Tuitions are structured so that undergraduates subsidize doctoral candidates, wealthy students help poor ones, and students in certain majors, such as philosophy, subsidize those in others such as engineering.

As competition for able students increases, colleges are foregoing efforts to keep tuition down and are trying to spend as much as possible on academic quality, redistributing their resources to offer discounts to selected students.

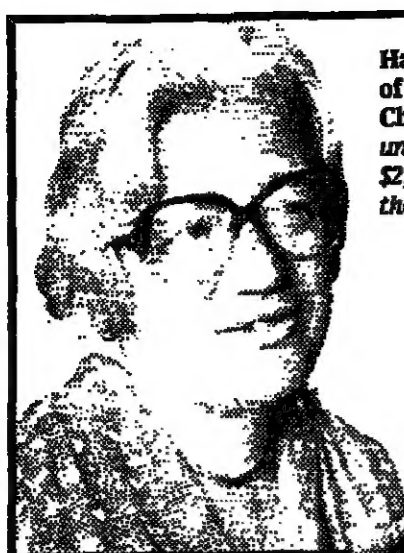
THE new discounts range from merit scholarships for middle-class students to foreign-student tuition indexed to the strength of the dollar in home countries. Like automobile dealers, colleges are attracting customers with sophisticated financing arrangements, many of them designed to help wealthy families use the tax code to ease education expenses.

"We are all trying to outsmart each other in what is probably the most competitive industry in the country," said Eamon M. Kelly, the president of Tulane University in New Orleans. "Tuitions don't go up at the rate they do because we're labor-intensive. Tuitions go up because we have become a discounting industry."

The process of setting tuition is complex. Although they face the same general costs, private colleges and universities as a group cannot match the price of public institutions. Instead, they base their appeal primarily on quality, a principle that also applies to competition in private industry.

"Overwhelmingly, students and families choose an institution on the basis of academic quality and not price," said Neil L. Rudenstine, the provost of Princeton University in New Jersey.

Recent statistics show that applications to many of the most expensive and selective schools have been increasing at an even faster rate than tuition. At Bowdoin College in Maine,

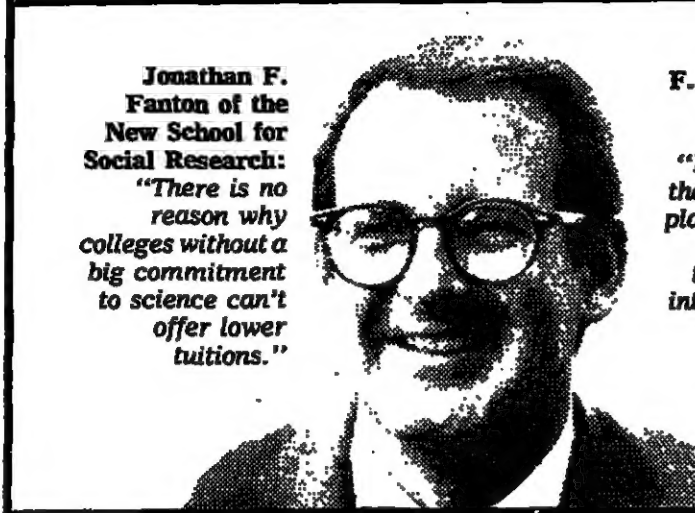


Hannah H. Gray, president of the University of Chicago: "We were underpriced by \$1,000 to \$2,000. We're still lower than our competition."

Eamon M. Kelly, president of Tulane University: "Tuitions go up because we have become a discounting industry."



Arnold R. Weber, the president of Northwestern University: "If you define the pool of students who meet our academic standards and had the money to pay, you're only talking about 18,000 people in the entire country."



Jonathan F. Fanton of the New School for Social Research: "There is no reason why colleges without a big commitment to science can't offer lower tuitions."

F. Frederick Starr, the president of Oberlin College: "People say, 'Boy, that's a high-priced place, but people are tripping over themselves to get into it. They must be terrific.'"

for example, where tuition has risen by 16 percent over the last two years, applications have been up by one quarter.

Given the choice between lowering tuition and increasing quality, top academic institutions are tempted to choose the latter. Most colleges that have large endowments, and therefore could lower tuition if they chose to, tend to charge the highest tuition.

"The basic operating theory is to raise all the money you can and then spend it all," said Howard Bowen, a leading expert on higher education finance at the Claremont Graduate School in California.

Timothy Warner, an associate provost at Stanford University in California, said planners there build an annual 2-percent "quality increase" into the budget.

Some officials say it is difficult to project an

image of high academic quality in the absence of high tuition. "This isn't something they will tell you on the record, but there is a kind of macho attitude," said F. Frederick Starr, the president of Oberlin College in Ohio. "People say, 'Boy, that's a high-priced place, but people are tripping over themselves to get into it. They must be terrific.'"

For many years Bennington College in Vermont, which had no endowment, made a point of being the nation's most expensive college. In the late 1970s the University of Chicago concluded that it was "underpriced" for the quality of education it was offering and began raising tuition at a faster pace. "We were underpriced by \$1,000 to \$2,000," said Hannah H. Gray, the president. "We're still lower than our competition, but we had some room for increases."

Most private colleges have a group of peer

institutions with which they compete, and a primary goal in setting tuition is to stay in line with that competition.

Bernard R. Carman, spokesman for Lafayette College in Pennsylvania, said his institution regularly exchanged information with 27 other small liberal arts institutions, from Amherst College in Massachusetts to nearby Susquehanna College, and used the data as a benchmark.

Mr. Starr said there was a "tremendous underground communications network between college administrators" in the early phase of the budgeting process. "It's like runners positioning themselves at the beginning of the race," he said.

Sheldon E. Steinbach, general counsel of the American Council on Education, the major national coordinating body for higher education, said, "If Ford, General Motors and Chrysler sat down and did what colleges do, they would be in

violation of anti-trust laws." He noted, however, that "tuition only pays a small fraction of the cost of education."

To maintain or improve quality, private colleges have developed a variety of internal subsidies that affect the amount of tuition a particular student will pay.

Many research universities, for example, use tuition income from undergraduates to subsidize graduate students and research programs. Graduate students pay tuition, but many receive fellowships or hold jobs as teaching assistants that are funded partly by undergraduates' tuition payments. "Our graduate students in arts and sciences get a free ride," said Mr. Kelly of Tulane. "The overhead costs are paid by undergraduates."

Katharine H. Hanson, executive director of the Consortium on Financing Higher Education, said that among 30 selective private institutions, the cost of a year at undergraduate liberal arts colleges tends to be "\$1,000 to \$2,000 lower" than the cost at a research university of comparable academic reputation with graduate schools.

In another internal subsidy, revenues from students in such low-cost academic areas as the arts and humanities are used to pay for instruction in science, which is much more expensive. "There's a correlation between high tuition and high commitment to science," said Mr. Starr of Oberlin, a liberal arts college that has traditionally been strong in the natural sciences.

Finally, colleges are increasingly using income from wealthy students to subsidize the education of poor and middle-class students.

Swarthmore College in Pennsylvania has announced an 11-percent tuition increase for this fall in order to restructure its financial aid packages. "We decided we have fewer students from low-income families than we should," said David Fraser, the president, "so we are lowering the amount of loans we offer and increasing the amount of outright grants."

Some critics argue that this "Robin Hood" approach is unfair to students who pay the full amount. College officials reply that tuition revenues cover only a portion of operating costs anyway; even students who pay the full tuition are receiving a subsidy from endowment, gifts and other income.

They also argue that socioeconomic diversity is intrinsic to the quality of the experience that they offer. And it would be impossible, they say, to recruit top students without pouring substantial amounts into financial aid. "If you define the pool of students who meet our academic standards and had the money to pay, you're only talking about 18,000 people in the entire country," said Arnold R. Weber, the president of Northwestern University in Illinois.

Economists specializing in higher education say that the tuition rise can be deceiving. A major trend that mitigates the tuition increases is the widespread practice of "discounting."

Robert Zemsky, an economist at the University of Pennsylvania, said the pricing of higher education increasingly resembles that of the car industry. "You have to look at college tuitions the way you look at a car," he said. "You have a sticker price, a discount price and a cash price, and most people get some kind of a deal."

Mr. Zemsky traces the concept of discounting to the federal student assistance programs in the mid-1970s. Poor students could have almost their entire education subsidized, but even wealthy ones paid a lower "cash price" because they had access to loans that were interest-free for as long as four years and were repaid in inflated, and therefore cheaper, dollars.

"Go back to the automobile analogy," said Mr. Zemsky. "It didn't matter what the sticker price was. It was the monthly payments that mattered."

According to the American Council on Education, two-thirds of undergraduates in private colleges and universities and one-third of those in public institutions receive some sort of assistance. The leveling-off of federal student assis-

tance programs in the last three years has forced colleges to assume more of the burden.

In recent years, discounting has become not only more widespread but more sophisticated. With the exception of the Ivy League and other highly selective institutions, almost all private colleges and universities offer at least a small number of "merit scholarships" to academically able students who would not otherwise qualify for financial assistance.

The unsolicited \$1,000-a-year scholarship that the College of Wooster offered Laura Hurwitz, a senior at The Principia, a private school in St. Louis, fell into this category, and her father said he reacted positively to it. "Every industry has its discounting lingo," said the General Foods executive. "We have coupons. The airlines have APEX fares. Colleges call it scholarships."

Even some Ivy League schools recently began to practice what is called "differential packaging" of financial aid. Cornell University divides applicants who are accepted and promised aid into three categories, depending on how eager it is to enroll them. The most "desirable" students are offered a higher proportion of their aid in the form of grants rather than loans.

The University of Pennsylvania's Penn Plan includes an option allowing parents to pay for all four years of tuition in advance with borrowed funds at the freshman-year rate. A family that accepts the offer can take advantage of tax deductions on the interest payments.

MANY colleges, especially those in highly competitive markets, are trying to develop as many kinds of discounts as possible. "We're very conscious that we compete with the University of Connecticut and that our tuition is six times what theirs is, so we're doing everything we can to reduce the differential," said Leland Myles, the president of the University of Bridgeport in the same state.

"We're doing what I never would have dreamed of 10 years ago: charging different tuitions in different programs. You pay more for tuition in dental hygiene than engineering and less to study liberal arts," Mr. Myles said.

Bridgeport also is freezing tuition for juniors and seniors and probably will begin adjusting foreign students' tuition rates to reflect the strength of the dollar in their home countries, he said.

Some colleges have taken the opposite approach and have tried to rely less on tuition fees. Bard College decided several years ago that its relatively high tuition was reducing its appeal to middle-class students. By raising funds, the college reduced the proportion of the operating budget sustained by tuition from 92 percent to 82 percent. "We are still more expensive than Vassar," said Leon Botstein, the president, "but we are less more expensive than we used to be."

The New School for Social Research in New York currently has a policy of reducing the rate of undergraduate tuition increase by 1 percent a year. "It went up 11 percent in 1982, then 10, 9 and 8 next fall," said Jonathan F. Fanton, the president.

Public attitudes remain an unpredictable factor. Ms. Hanson of the consortium said there was a "perceived diminution in the value of a college education" in some quarters and suggested that families today have different priorities for major purchases.

"People are more worried about retirement," she said. "A lot of people seem to be saying: 'I'd like to get out of college, but I don't want to be eating cat food 20 years from now. There's less willingness to sacrifice their own future.'"

Some people fear that the major effect of current trends will be to price the poor out of quality higher education. "It basically means that you get a lot more kids from Scarsdale," said Liz Kashner, a freshman at Brown University in Rhode Island who is from the wealthy city of Scarsdale, New York. "There's a line in the freshman class right now. How many more do we need?"

Arab Intellectuals Bedeviled by Fundamentalism, Sense of Impotence

By Judith Miller

New York Times Service

CAIRO — Each Arab country has its symbol of intellectual malaise.

On a sunny, warm morning in January, Mahmoud Mohammed Taha was publicly hanged in the main square of Kober Prison, near Khartoum. His crime was "heresy," Mr. Taha, 76 years old, had distributed a pamphlet that opposed the way in which Islamic law was being implemented in Sudan. The amputations, lashings and other harsh punishments of criminals had distorted the spirit of Islam, he argued, and had damaged Sudan's international standing.

Last month, an Egyptian court fined three booksellers for violating the country's pornography laws by selling a new, unexpurgated edition of "A Thousand and One Nights." Egyptian officials also seized 3,000 copies of the Arabic classic. "We want to expurgate from this book the dirty words, sentences and tales which have had effects on the youth and push them toward deviation and corruption," said Brigadier Adly el-Koshery, head of the Interior Ministry department that prosecuted the case.

Whether dramatic or little-known, such incidents point to the fact that the Arab intellectual — the heir to a 1,300-year-old culture that was once open to other civilizations and which accorded its poets, philosophers and scientists high public esteem — is increasingly being isolated and threatened.

The reasons differ from country to country, but Arab intellectuals face some common foes.

Foremost are the high priests of Islamic fundamentalism who give the most literal interpretation to Islam's holy scriptures. These ultraconservative sheikhs are the new inquisitors, the self-appointed navigators of "al-Sirat al-Mustaqim," or "the Straight Path," a phrase from the opening chapter of the Koran that is repeated five times a day by devout Muslims. To challenge or even question "the Straight Path" is to risk being branded a heretic. Few choose to do so. The ascendancy of fundamentalism implies the rejection not only of Western culture and values, but also of modernizing trends and traditions within Islam.

The Arab intellectual has other enemies. In "socialist" Arab states, such as Syria, Iraq, Libya and South Yemen, leaders who espouse revolutionary creeds have imposed a "Straight Path" of their own secular, authoritarian invention. The price of deviance in these regimes is exile, imprisonment, torture or death.

Another potent enemy is the glittering "petrodollar culture" of Saudi Arabia and sheikhdoms of the Gulf. Throughout the Gulf, Arab rulers of deeply conservative bent, although not of the extremist stamp of

Ayatollah Ruhollah Khomeini of Iran, have used oil revenues to spread their conservative religious and political ideas and to silence Arab critics of their regimes.

"In the Arab world today, intellectuals are either beaten down by the stick or seduced by the carrot," says Fouad Ajami, a Lebanese-born political scientist and professor at Johns Hopkins University, who, like many Arab intellectuals, has chosen to live in the United States, where he can express himself more easily. "But many more have been bought off by the men of finance than destroyed by men of the sword."

Among the region's intellectuals there is

"What does it mean to be an intellectual in a country like Egypt, where 70 percent of our people are illiterate and wretchedly poor?"

— Boutros Chali

gnawing self-doubt. "What does it mean to be an intellectual in a country like Egypt, where 70 percent of our people are illiterate and wretchedly poor?" said Boutros Chali, Egypt's minister of state for foreign affairs, a former professor and one of his country's most reflective officials.

Egypt is one of the few Arab countries in which such questions are still routinely posed and debated. In fact, there is no better way to understand the current crisis in Arab thought than by tracing the intellectual decline of Egypt, long the cultural capital of the Arab world.

Egyptian intellectuals have a long and distinguished tradition. They are a brave lot. Almost all have spent time in jail during the past 20 years; some have been forced into exile. Under President Hosni Mubarak, a democratic trend prevails. But the greater freedom has served to underscore the Egyptian intellectual's sense of loss.

"The Cairo of old was a constantly stimulating place," says Youssef Idris, one of Egypt's most widely admired playwrights and novelists. "It was the Arab world's cultural mecca. Last week, a friend of mine, a poet, came to Cairo and wanted a night out on the town. He proposed taking in a good new play, a new Egyptian film or a fine concert. But here in this city of 14 million, there was nothing much of value to see. You know where we wound up? In a nightclub."

"The Arab world was once a culture of the word," said Professor Ajami. "Now there is

silence, an eerie silence everywhere, even in the din of Cairo. How can we explain it?"

Cairo was a vibrant cultural center under the British (1914-22) and under Kings Fuad and Farouk following independence in 1922.

A national secular university (now Cairo University), the Arab world's first, was founded in 1925 with seven main faculties and colleges. By the late '30s, there were nearly 200 Arabic newspapers and journals in Egypt, plus 65 in foreign languages. Writers called for greater political freedom, fewer restraints on women, a more equitable division of the country's resources. Newspapers carried lively accounts of struggles among the British, the palace and the Wafd, the major political party and champion of the prevailing liberal ideas and values.

Issues of the day were debated in tea parlors and cafes. Egyptian plays dominated the Arab stage. Egyptian films were the rage. Cairo was the Arab world's publishing center, turning out and importing thousands of books a year in Arabic, French and English.

Yet, intellectual life was reserved for a tiny elite. The vast majority, the fellahs, or peasants, lived in ignorance and squalor. Egypt's 1952 revolution ignited hopes of a better life for all Egyptians, a vision that particularly inspired the intelligentsia. To this day, many Egyptian intellectuals speak almost nostalgically, reverentially, of Gamal Abdel Nasser, Egypt's authoritarian ruler, father of political pan-Arabism and a leader of the 1952 nationalist revolution that overthrew King Farouk. His promotion of secularism also enhanced his popularity among intellectuals.

But critics and victims of the Nasser era assert that the burst of cultural creativity was primarily a response to the growing political repression. Culture took on two functions: first, to spread Nasser's orthodoxy through state-sponsored institutions, and second, as a safety valve.

"Our cultural renaissance coincided with the rape of the mind," said Magdi Wahba, a deputy minister of culture during the Nasser era, now a professor at Cairo University who is compiling a definitive English-Arabic dictionary.

Nasser ruthlessly stamped out opposition. He regimented the previously haphazard system of censorship, arrested and tortured hundreds of leftist critics and Moslem fundamentalists, and exiled liberal critics who challenged his military regime.

The 1967 Arab-Israeli war marked the end of the Nasser era. The succession of President Anwar Sadat after Nasser's death in 1970 resulted in a tremendous relaxation of political tension and a far freer intellectual climate. But few intellectuals credit Mr. Sadat.

Louis Awad, one of Egypt's finest writers and critics, says that the Sadat era produced

a vulgarization of culture. "The nightclub replaced the concert hall," he said. "Frank Sinatra replaced La Scala." According to Mr. Awad and other leftists, Egypt's "Hilton economy," as the exit of the Russians and entry of Western business interests became known, had no place for culture or intellectuals, most of whom then were, and still are, left-of-center.

Sadat's 1977 trip to Jerusalem, which made him a hero in the West, sent shock waves through Egypt's, and the Arab world's, intelligentsia. "Egyptian intellectuals had an Arab market," said a newspaper editor, who requests anonymity. "So the Arab states' intellectual, economic and political boycott of Egypt after Sadat's peace with Israel in 1979 was a particular blow to them. They were cut off from the pot of gold: the Gulf. There was too small a market and too little money in Egypt to sustain them."

Mr. Sadat reacted badly to their growing criticism. He initiated his own purge. Opposition papers, whose revival he had sanctioned, were the first casualties. Then came the massive arrests of more than 1,000 critics of all stripes, including Islamic fundamentalists, in September 1981 — less than a month before his assassination by the Islamic militants, whom he had earlier mobilized and unleashed against leftists and other foes.

Few of Egypt's intellectuals mourned the death of "pharaoh Sadat," as they called him. "The intellectuals hated Sadat not because he was against them," said Professor Wahba, "but because he was indifferent to them. Nasser had given them a role: they were the purveyors of pan-Arabism, of Arab socialism, servants of the state. They never forgave Sadat for making them useless."

President Mubarak has promoted a democratic trend in Egypt, similar to the one Sadat initiated but abandoned. Since coming to power in 1981, Mr. Mubarak has permitted the re-establishment of opposition political parties, and emphasized his commitment to freer expression.

Ahmed Baha el-Din, one of Egypt's leading newspaper columnists, says that Egyptian intellectuals are now reaping a legacy of the Nasser years that has harmed cultural life: pressure from the bottom of society, from the "masses."

Nasser opened the schools and universities to all Egyptians, but he did not sufficiently increase funds for the schools, teachers or books. The revolution betrayed the people by producing millions of semiliterate, said Mr. Baha el-Din. "These newcomers, with superficial education, came to Cairo, allured but frightened by what they saw here. They could not enjoy, or afford, what Cairo had to offer. They have been incorporated into the system, but they have lowered its standards." Many of the most virulent

Islamic extremists have come from this group, says Mr. Baha el-Din.

Urban universities are flooded with students. Still understaffed and underfunded, the universities turn out graduates barely literate in any language. Books are too expensive for many students to buy.

Official censorship still exists on state-run television and cinema, and is widely defended by many intellectuals. There is no longer official censorship of the press. Mohammed Sid Ahmed, an engaging aristocrat who writes political commentaries for Al-Ahram, a leftist newspaper, said that the press was "freer than at any time since Farouk."

"The Arab world was once a culture of the word. Now there is silence, an eerie silence everywhere. How can we explain it?"

— Fouad Ajami

But, said Martin Ochs, a professor of journalism at the American University in Cairo, the "external censors have been replaced by informal guidelines and auto-censorship."

W EALTH from oil has also reinforced the Egyptian and Arab intellectual's inherent antipathy toward Israel. Saudi Arabia and the Gulf states have consistently denounced Egypt's Camp David peace accords with Israel and the peace treaty signed in 1979.

There are Egyptians who feel that any contact with Israel, indeed, any political activism, would disqualify an Egyptian from a lucrative post in the Gulf or from writing for Saudi papers. However, even without Saudi and Gulf-state hostility to Israel, Arab intellectuals would have difficulty accepting peace with the Zionist nation. Arab intellectuals, especially those in Egypt, were pioneers of the anti-colonial, pan-Arab and proto-nationalist movements of the 1930s and 40s.

"Israel's and Zionism's victories are so deeply resented because, subconsciously, they are viewed as more victories for the West," said an Egyptian professor. This, he said, has served to further undermine Arab confidence in their own civilization, greatly eroded by centuries of decline and colonization by the West.

When was the last time you read an Arab editorial recommending that Iraqi President Saddam Hussein resign to end the war he

started with Iran?" said a newspaper editor. "Or that the Palestinians were also to blame for the mess they are now in?"

There is an equally disturbing silence about the slowly growing strength of Islamic fundamentalism in Egypt.

Many see the Arabs' future as one of struggle between religious and secular forces. Religious Muslims reject this portrayal, preferring to describe the struggle as one between liberal Islamic trends and factions that favor sending Egypt on "the Straight Path" into the past.

At present, the few who dare challenge the fundamentalists do so at their peril.

"No one in Islamic societies wishes to be accused of being 'anti-Islam,'" said P. J. Vatikiotis, the London-based historian. "The Koran contains the Words of God and are, hence, perfect. It cannot be questioned; it outlines a perfect pattern for the universe. Anyone who does not follow it is a heretic, and that's a powerful charge against Muslims."

Said Al-Ashmawi, a chief justice, is a Moslem. In 1981, he began publicly opposing the fundamentalist call for the adoption of Sharia, or Islamic law, in Egypt, contending that it was based on a misinterpretation of Islam and the concept of Sharia. Several sheikhs responded by declaring his blood "lawful" — that is, killing him would not be a sin. Judge Ashmawi, a legal scholar, refused to recede.

Egypt appears divided over how Islamic militancy should be handled. Many Egyptians, including some prominent intellectuals, argue privately that fundamentalists should be treated harshly as a signal to others that violence and extremism, even under religious cover, will not be tolerated. "Fundamentalism proliferates and intensifies when the central government is perceived as weak," said a senior Egyptian official.

President Mubarak, however, believes that only the strengthening of democratic institutions will prevent the spread of the "cancer" of Islamic militancy. Repressing only the most violent Islamic forces, he seeks to incorporate more moderate Islamic forces into the political process to avoid driving them underground, where they might fester, multiply and become violent.

For the moment, the strategy seems to work. There is little sectarian strife or violence in Egypt. But some analysts say the public's unwillingness to take a clear stand against calls for the imposition of Islamic law in this religiously heterogeneous country, its reluctance to champion openly secularist forces or even modernist trends within Islam, could lead to strife.

This article has been excerpted from The New York Times Magazine.

HUNGARY

Trade and Investment Opportunities

Trading Difficulties with the West - But Still a Healthy Balance

The aim is clear, and has been expressed several times: to improve the external equilibrium of Hungary's foreign trade. Purists might object that it is impossible to have a better than perfect balance. As far as convertible currencies are concerned Hungary last year showed a healthy trade surplus of US\$ 600 million notwithstanding a deterioration in the terms of trade. Let us add to this US\$ 265 million arising from tourist trade out of which however US\$ 100 was allocated to Hungarian citizens travelling abroad to the West. When adding the US\$ 164 million we get a surplus of US\$ 764 million. This made it possible to reduce the country's short-term debts in 1984 as well as to increase the foreign exchange reserves of the National Bank of Hungary. What the Hungarians have in mind, though, is an easing of the restrictions imposed by numerous Western countries in trade deals with Hungary.

Some Facts and Figures

In 1984 Hungary transacted 53% of its total foreign trade turnover with countries belonging to the Council for Mutual Economic Assistance (COMECON), with the Soviet Union alone accounting for 32% of the total foreign trade value. The share of OECD countries in Hungarian foreign trade turnover remained at around 35%. While the developing countries made up the remaining 12%, all in all, it would seem, a fairly reasonable distribution - but Hungarians think it should be more heavily weighted towards the west.

And could be, were it not for a few adverse factors.

Foremost among these are what the Hungarians see as the protectionism exercised by European Economic Community countries. These account for 45% of Hungarian exports to Western countries. Further negative trends in international trade have been strengthened by the introduction of stricter criteria in the export licensing procedure of the United States, above all the inclusion of additional items on the prohibited list drawn up by COCOM.

Unequal Treatment

Tibor Antalpetér, Director General in the Hungarian Ministry of Foreign Trade said it was important to appreciate the fact that there was no central Hungarian policy decision regarding what OECD countries should hold in Hungarian foreign trade. Hungary was more than willing to buy from them but this depended on raising the money by exporting to convertible currency countries. And here Hungary ran up against difficulties.

There was a time - in 1978 and thereafter - when Hungary itself had to take "austerity" measures because of a rather heavy balance of payments deficit. This led to a decrease of imports in convertible currencies. At the same time it became obvious that there was a close relationship between the rate of growth and imports: if you slow imports you hamper the growth of the economy.

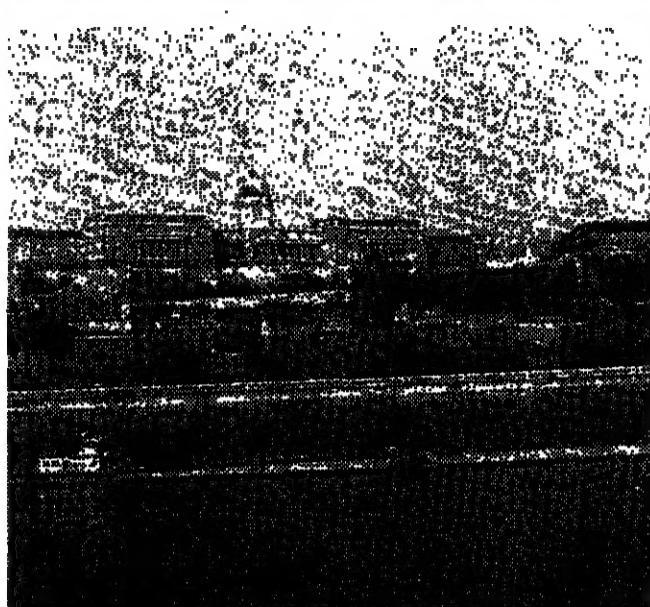
By 1983 Hungary was able to begin lifting administrative import restrictions. Membership of the interna-

tional Monetary Fund made it possible to regularize external borrowing facilities which eased the parameters for foreign trade, and relationships with commercial banks returned to normal. And as from 1st January 1985 the remaining import restrictions have been abolished. Hungary is willing to do unlimited business. The obstacles are all on the western side.

On this issue Mr. Antalpetér makes a clear division between protectionism and discrimination. What Hungary objects to, above all, is the discriminatory policy pur-

Hungary would like to see the way out of this dilemma by the conclusion of a bilateral agreement with the Common Market in Brussels. Some preliminary discussions have already been conducted at expert level with the EC Commission. Mr. Antalpetér is confident that such an agreement would represent an important step in the normalization of trade relations between east and west.

Another desirable, and feasible, improvement would be for the United States Congress to drop the need for its annual review of Most Fa-



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voured Nation status for Hungary. This would amount to an assurance for the business communities in both countries that their respective governments were in favour of promoting and facilitating trade on a long-term basis. In any case the Americans would stand to benefit more from this than the Hungarians, Mr. Antalpetér thinks.

Questionable MFN Status

Under the General Agreement on Tariffs and Trade (GATT) to which Hungary acceded in 1973, it is clearly stated that discriminatory quantitative restrictions are inconsistent with Article 13 and should be eliminated. All the contracting parties to GATT, with the exception of the European Community, have fulfilled their commitments in this respect, so that Hungary enjoys full GATT treatment in all parts of the world outside the Common Market.

Whatever happens 1985 is going to prove a most interesting year for the Hungarian economy. The foremost need now is to increase investments so that vital structural changes in the economy can be completed. This can only be accomplished though within a reasonable period if understanding is shown by partners abroad. In this respect it may be of certain interest that joint ventures established with Hungarian enterprises as partners can bring many comparative advantages.

A Milestone in Management

1985 may well be seen by future generations as a turning point in the Hungarian economy. After years of austerity necessitated, in part, by circumstances beyond its control, Hungary can be said to have emerged from the dark tunnel of the liquidity crisis. Plans which were under contemplation for several years have begun to be implemented aimed at consolidating the national economy.

As Miklós Pulai, Vice-President of the National Planning Office in Budapest, put it: "The crisis forced us to think about the possible steps for proceeding with our economic reform, even if we were only able to contemplate the future in-between periods of dealing with acute day-to-day problems such as taxes and regulations."

What has emerged is a three-pronged initiative which, it is hoped, will give a dynamic impetus to production and make Hungary a shining example of what can be achieved by a centrally-planned, but not dogmatically controlled, economy.

The essential elements are:

1. To increase the autonomy of enterprises, utilizing their full potentials but also exposing them to risks;
2. To extend the scope of market influences and encourage the application of market mechanisms; and
3. To increase the efficiency of management by taking into account the previous two factors.

Hungarian-Style Self-Management
Hungary commenced economic planning on a national scale nearly four decades ago. In line with a resolution passed in April 1984 by the Central Committee of the Hungarian Socialist Workers' Party (the Hungarian Communist Party), planning has been made a more open and flexible process and targets brought closer to realities.

Broadly speaking the objective of the 1983 management system was to combine a planned economy with market mechanisms.

In this spirit, two new forms of company management have been introduced in Hungary as of 1st January 1985.

- The first is the Enterprise Council exercising owner's rights in the case of medium-sized and large

enterprises. It is entitled to pass decisions on major questions of organization, and business policy. Furthermore it appoints the general manager (subject to ministerial approval) and exercises employer's rights with respect to the manager. The Enterprise Council consists, in equal numbers, of delegates of the workers (employees) and representatives of the firm's management.

• The second form applies to enterprises with a workforce of less than 500. In this form it is the General Assembly of workers which exercises ownership rights. The executives and the manager

are elected - and if necessary recalled - by the workers' collective without any intervention from a supervisory body. Hitherto, in Hungary, only cooperative societies have had elected managers and officials.

It is important to call attention to these changes because through a more democratic planning system they will enhance the status of enterprises within the state administration, local councils and other bodies, and increase their autonomy.

Henceforth the Enterprise Council, or the General Assembly of Workers, can de-

cide on policy questions. These decisions have been taken away from the relevant ministry but not from the scope of the managers of the enterprises.

Under these circumstances the question arises as to whether a manager will continue to put purely business interests in the foreground or just make an effort to please his workers, to be - as Mr. Pulai put it - a "good boy". On the basis of experience gained in similar circumstances at agricultural cooperatives no problems are anticipated in this respect. Hungarians prefer a tough, efficient boss who makes them work hard to get good results and help them make more money.



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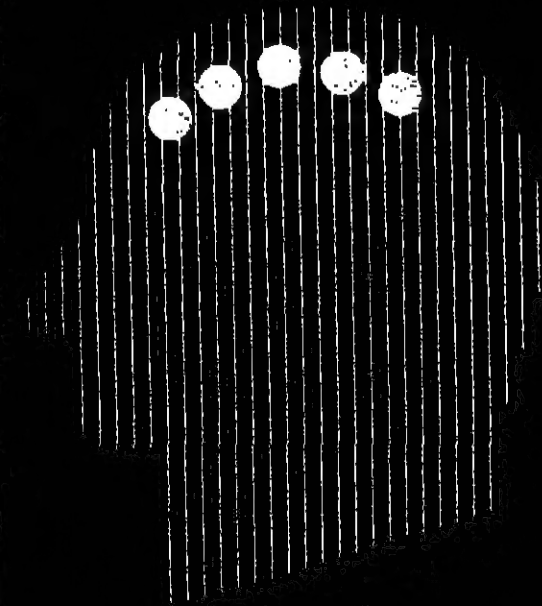
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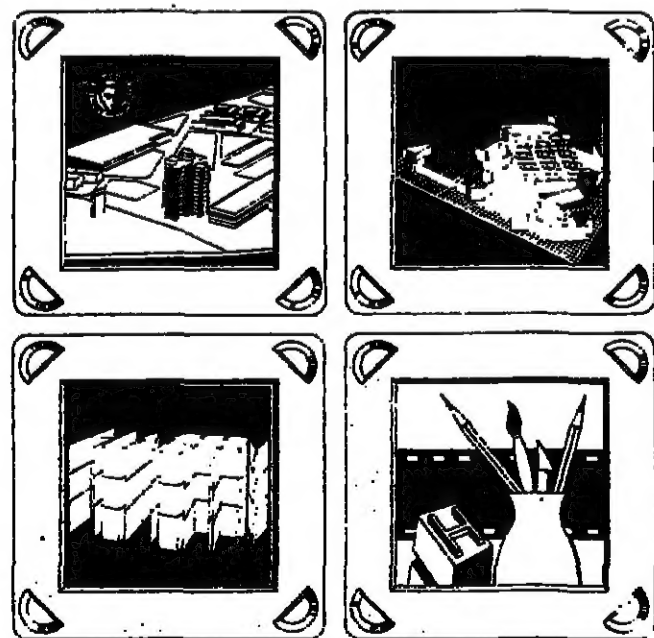


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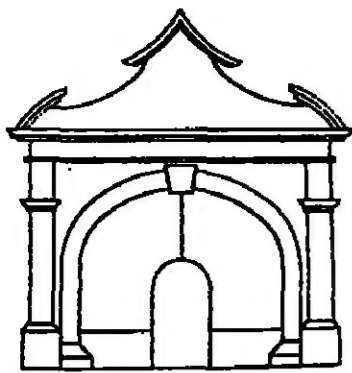
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Hungary's Joint Ventures A Socialist Speciality

During the past decade there has been a pronounced swing in the Hungarian economy towards the formation of joint ventures. More and more foreign firms are grasping the opportunities offered to them for producing their goods and offering their services in Hungary. The advantages are mutual, and Hungary is encouraging this form of participation with all the means at its disposal.

Whereas the conclusion of co-operation agreements and licensing arrangements have long been a feature of Hungarian business life and trade, the switch to joint ventures only really began in the mid-1970s. The turning point came after the publication in 1972 of a Finance Ministry "Decree on Economic Associations with Foreign Participation", subsequently amended, and extended, in 1977 and 1982.

What was it that prompted this significant opening to the west on the part of a loyal member of COMECON? Because it is the West (in the sense of the advanced industrial nations) which is being sought as a main partner for joint ventures with Hungarian enterprises.

Hungarian economists are quite willing to bare their breasts in giving the answer. Whereas there have been rapid developments in Hungary during recent decades - with new industries emerging and agriculture being modernized - the level of development, they say, still lags 40-50% behind that registered in the industrialized countries of western Europe experiencing similar conditions. It was therefore seen as an urgent necessity to close the gap. The country's policy makers devote considerable attention to making such structural changes in the national economy as will improve its international competitiveness, while at the same time aiming to satisfy domestic demand for a wider range of products at a higher level of quality.

The most promising field for this expansion was felt to be the formation of economic associations in Hungary with foreign participation or, in a nutshell, joint ventures.

Two priorities Right from the start two priorities were set:

- To encourage companies from abroad to provide

machinery and technological know-how; and

- To step up Hungarian exports against convertible currency payments.

Neither of these, it was realized, would be easy to achieve. The success has nevertheless been thoroughly satisfying: nearly forty joint ventures have been licensed in Hungary, more than half of them in the past two years.

Gerd Bird, Director-General of the Hungarian Chamber of Commerce, one of the prime movers behind this Joint Venture campaign, assesses the situation as follows:

"The joint enterprises established in Hungary by western firms and Hungarian companies afford the foreign partner a series of



Hungarian Parliament building by day.

comparative advantages. In calculating production costs, for example, it is important to remember that services are cheaper in Hungary, and that land, the charges for water and electricity, for building materials, the raw-materials originating in Hungary and semi-finished products are generally also cheaper than in the highly-developed industrialized countries.

"Compared with developing countries or with the so-called threshold countries Hungary, as a possible partner, likewise has several comparative advantages - such as its central geographical situation in Middle Europe and the resultant low freight costs, or the high level of skills among the labour force, as well as

Hungary's fine reputation for Research and Development."

Both the Hungarian Chamber of Commerce and the Hungarian Foreign Trade Bank, which is also actively engaged in promoting joint ventures have published booklets (in English) outlining the legal situation in concise form as it affects prospective partners abroad. Furthermore, "Hungarian Business Herald", the Chamber's quarterly published in English, deals with new trends in this field.

Stress is laid on the fact that in Hungary an association with foreign partners is a matter of co-operation between companies based on mutual benefit, and it is not an inter-state matter. Hun-

garian governmental organs will only consider whether the proposed association is in harmony with general economic policy targets and prevailing Hungarian legal statutes. Associations, it is pointed out, can be established and function with a wide range of entrepreneurial possibilities. They can have as their aim joint production, the provision of services (hotels, transport, tourism etc.) or even the transaction of financial activities (e.g. banking). In each case the state leaves it to the Hungarian enterprises to decide in what field, industry or form they wish to set up associations with a foreign partner.

Among the guarantees given are that:

- employees of foreign nationality may transfer abroad 50 percent of any kind of the incomes paid by the association in a currency stipulated in the founding memorandum; and
- in the event of the withdrawal of the foreign partner the National Bank of Hungary will transfer abroad the foreign partner's share due in proportion to his contribution.

Profitable Examples Generally speaking the share of Hungarian ownership in the joint venture has to be at least 51 percent and that of the foreign company cannot exceed 49 percent. However the Minister of Finance has the right to grant permission for a higher share of foreign capital. A significant example of this is the Central European International Bank (CIB) with its seat in Budapest (but functioning as an offshore institution). In CIB six western banks (two from Japan, and one each from France, Italy, West Germany and Austria) each have an 11 percent share, leaving the National Bank of Hungary with only 34%. The success of this bank (founded in 1980, and still unique in the Socialist World) is shown by its growth statistics. CIB assets went up from US\$247.7 million in 1983 to US\$322.5 million in 1984; its pre-tax profits over the same period from US\$4.9 million to US\$17.2 million.

Among the other successful joint ventures over a wide range are:

- Schwarzkopf-CAOLO, for the production of cosmetic articles, with a majority Western holding;
- The Budapest Gambling Club (which runs two establishments in Hungary in conjunction with the Austrian Casino Company);
- Olympos, (manufacturing fruit juices) with a Greek partner;
- Hungarokork, (making cork stoppers and other products) with Amorin & Irmaos of Portugal; and
- APV-UNGARO, (for the production and sale on third markets of food processing plants) with Britain's APV Paracel.

A significant addition to the list last year - Humflex-bau, producing Danish-type heat-insulated wooden cottages - has made use of a new ordinance whereby joint enterprises can, if they wish, operate in a customs-free zone, thereby enjoying exemption from duty and the resulting competitive price advantages.

Intercooperation An Enterprising Enterprise

"The Enterprising Enterprise" is the slogan by which Intercooperation Co. Ltd. of Hungary likes to be known. And "I.C.", for short, really is a go-ahead unit doing much more for Hungary than its modest size and unassuming office premises would lead one to suppose.

IC has a wide and flexible brief: to bring in business from abroad. This is achieved on a strictly un-bureaucratic basis by a small, but dedicated, staff who will follow up the least whiff of business and turn it to good advantage.

In the field of joint-ventures - which every company in Hungary is entitled to enter into - IC has a good record pulling such plums out of the pie as Sicomact (with Siemens AG of West Germany) and BCR-Lilly (with Eli Lilly Inc.), as well as three or four other major cooperations, either with share capital or just as an organizer on behalf of a Hungarian enterprise.

Foreign Trade However, Intercooperation is also one of the Hungarian companies authorized to engage on its own initiative in foreign trade. Its services are frequently made use of by all sorts of enterprises which do not have the requisite know-how about foreign trade practices, or the command of foreign languages, which IC staff have at their fingertips.

IC's financial director, Ivan Toldy-Osz, says it is not always easy to convince would-be foreign co-operation partners about the true advantages of getting a foot in the Hungarian market. It is wrong to suppose that this gives unlimited access to all the other Socialist countries of eastern Europe, because there are special regulations governing Hungarian trade in that direction. It is seldom easy to fit the products of joint ventures into the "socialist pattern." However

Hungary itself has a population of over ten million and exports to the West are not difficult.

The case of Siemens is significant. When Sicomact was established in 1972 there were only six Siemens computers in the whole of Hungary. By the end of this year there will be 35. The fact that Sicomact has a base in Hungary and can carry out the servicing swiftly is a decisive advantage, even if exclusivity cannot be assured.

Benefits for Returning Hungarians

Intercooperation, with its 'enterprising' image, recently hit on the idea of tapping an unlikely source of wealth. Former Hungarians, some of whom have been living abroad for thirty years and more, are being encouraged to come back and spend the evening of their days in the home country. They are offered the chance - otherwise impossible for foreign citizens - of buying a house or flat in Hungary, and certain other benefits. About 200-250 letters have been received enquiring about the conditions. Five flats have already been sold and about 20 others are under negotiation. Not big business, says Mr Toldy-Osz, but interesting all the same.

Another idea which Intercooperation is developing aims at helping the foreign tourist who comes to Hungary by car and has a breakdown. There are plenty of Hungarian mechanics who are ready to repair western cars, but cannot afford to keep a big stock of spares. The intention is to co-operate with dealers in Vienna (only 240 kilometers away from Budapest) to supply parts at short notice and get them to Hungary quickly, with the assistance of motoring organizations in the two countries, so that generally there will be a delay of no more than a day in getting on the road again.

Importance of the Chamber

Ever since 1981 the Hungarian Chamber of Commerce has played a significant role in the preparation and formulation of the country's economic planning process. The Chamber's President, Tamás Beck, himself a well-known industrialist and winner of the State Prize in 1985, is proud of the fact that it not only acts in the purely commercial sphere, protecting and furthering the interests of member companies, but is also a much used mediator between the government and individual enterprises.

This co-ordinatory function, he says, is probably the most difficult of the Cham-



Tamás Beck, President of the Hungarian Chamber of Commerce.

ber's tasks but it does succeed in bridging the gap between the political system and the economic structure. In practice this means that the

Hungarian Deputy Premier and other members of the government attend Chamber meetings, and the President of the Chamber sits in on government meetings, at which economic matters are discussed and can pass on comments and complaints from enterprises. In effect no important decisions about the national economy are ever taken without prior consultation with the Hungarian Chamber of Commerce.

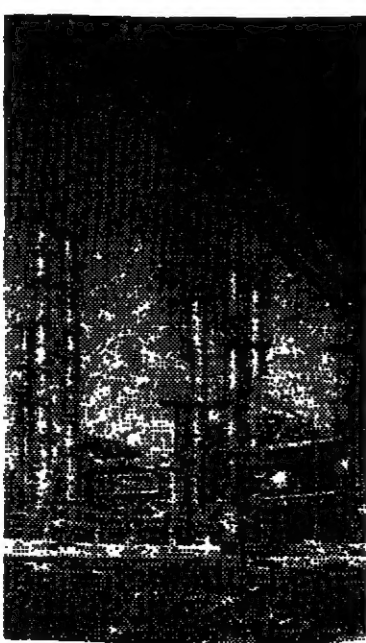
Mr Beck is already deeply involved in discussions over the next Five Year Plan for Hungary which is due to come into effect in 1988. The Hungarian Chamber of Commerce is committed to doing

its best to help maintain the links between domestic, company-level planning and the medium-term nation-wide plan.

On the international plane news reached Budapest recently that the Hungarian Chamber of Commerce had become a full member of the World Trade Centres Association at the WTCA council meeting in Tokyo. The Chamber will accordingly now have access to the Association's vast data bank on world trade and international business relations. It has been agreed that the WTCA will hold its 1987 annual general meeting in the Hungarian capital.

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Fair Weather for Banks

A "spell of rainy weather" - that is how Hungarian financiers refer to the two-year period up until mid-1983 when full confidence was restored in the Hungarian economy among the international banking community. During the worldwide recession of 1981 and thereafter Hungary, quite unjustifiably, was made to pay for the shortcomings of two or three other Socialist countries which had let down their creditors and had to re-schedule their considerable debts. Hungary, which has never had to re-schedule, suddenly found that all the financial taps had been turned off, and suffered accordingly.

Since the autumn of 1983, with Hungary a member of the International Monetary Fund, credits are flowing normally again and the country's foreign currency reserves are up to a level matching, if not already above, that recorded at the start of the liquidity crisis.

The IMF assessed the position earlier this year by saying: "The progress made by Hungary in recent years in the direction of economic adjustment was sustained in 1984 significantly and in contrast to the record in many other countries this adjustment was also achieved in conjunction with a positive and steady growth in output. [Hungary has] helped reverse a weakening of creditor confidence in eastern Europe generally, and subsequently enjoyed an improving credit-stand in international financial markets."

László Karczag, General Manager at the National Bank of Hungary, is certain that membership of the IMF has been beneficial for Hungary. "They also helped us at a crucial moment. Our relationship with the IMF and the World Bank has always been very smooth and co-operative. Now we are to have the third co-financing deal with, and through, the World Bank. In 1983 when the first one was concluded it was considered

in banking circles as the business deal of the year, a kind of "Tony Award" - really very sophisticated. In practice it was a new type of financing where the World Bank and members of the international banking community got together to finance a project in a country."

The National Bank of Hungary has been fundamentally restructured, with its commercial activities separated from its central banking sector.

To meet the need for better services to companies in Hungary two units have been set up within the National Bank, one mainly in charge of financing industry and service institutions, the other for

established. One has already been set up to finance innovations; another is engaged in the venture capital business. And a certain part of the National Bank of Hungary has been turned into the independent Budapest Commercial Bank.

1985 has also seen the opening of a bond market in Hungary. Not only the state but also individual companies are now empowered to issue bonds. These can be purchased either by other companies or even by the general public.

Question of Convertibility
For several years now there has been talk about the desirability of conferring convertibility on the Hungarian currency, the Forint. The First Vice-President of the National Bank of Hungary, János Fekete, has repeatedly let it be known that this is one of his aims. Now the idea has been revived in the form of a



New Budapest Convention Centre.

financing agriculture and food processing plants.

The other existing banking institutions continue meanwhile to carry out their commitments unaffected by the changes in the National Bank. These institutions are: the Hungarian Foreign Trade Bank which is fully authorized for doing business in foreign exchange and all types of international transactions; the State Development Bank which distributes funds from the national budget to state-owned companies; and OTP, the National Savings Bank with all the usual services of such an institution.

Now the way is open for "financial institutions" - to be

sort of central banking convertibility. In other words, the Forint might be considered as a currency for international settlements in banking, financing and trade, but Hungarian citizens would not be free to go to a bank and ask for foreign currency. The sort of time-scale now envisaged is that by late 1986, or in 1987, partial convertibility of the Forint will be introduced.

Credit Cards and Cheques

Of more immediate importance to visiting businesspersons and travellers is the fact that through an arrangement with the National Bank of Hungary all the major international credit-cards are widely honoured in the country.

The Power Problem and How Hungary Is Tackling It

In 1984, when the second of its four blocks was starting operation, Hungary's first nuclear power station at Paks accounted for 14% of the country's annual electricity output of 26,200 kWh. By 1990, if all continues to go well at Paks, the other two blocks will have become operational and the plant will be in a position to supply one quarter of the nation's electricity requirements.

What these requirements will be is still a matter for some conjecture, however. If the government has its way the country will have to slow down its appetite for power, and if possible actually reduce its consumption of energy. The aim is to reach a situation where a 1% Gross Domestic Product increase will only require additional energy supplies of 0.4-0.5%. A government-sponsored scheme has been initiated to tackle this problem from both ends, by rationalizing production and streamlining energy consumption.

Swing in Emphasis

Generally speaking the trend is to move away from hydrocarbon sources of energy (and within that category, from oil to natural gas) and to step up utilization of domestic coal (particularly lignite) and nuclear power. Whereas in 1978 oil and natural gas accounted for 66% of Hungary's energy requirements, in 1983 this had dropped to 60%. The government's energy management scheme makes funds available from the national budget on favourable credit terms for projects which substitute oil with other sources of energy.

In this respect the major indigenous source is brown coal (lignite). As Robert Tárjan, Departmental Chief for Electricity in the Ministry of Industry said, the plan is to rely heavily on lignite in the years to come. A lot of this can be won in open-cast mining. Thanks to sophisticated

methods of preparation and enrichment environmental hazards connected with it have been significantly reduced. In recent years, for instance, coal washing facilities have been installed at Tatabánya in western Hungary and in the northern county of Borsod which remove from the material mined a large proportion of the waste material.

Environmental considerations are always taken into account when planning new power plants in Hungary. This is one of the reasons for the growing tendency to substitute natural gas for oil in firing power plants.

As an outcome of various measures to reduce petrol

consumption petrol production in Hungary has not risen since 1979 and this despite the fact that the number of motor vehicles has gone up by an additional 100,000 cars each year since then.

Leadless Petrol

In order to meet the needs of an increasing number of car-borne tourists from western Europe a number of filling stations - particularly around Lake Balaton and in the Budapest area - have started from 1st January 1985 selling leadless petrol. With environmental considerations in mind the plan is to lower the lead content of standard petrol by 1988 from the present 0.7 grams per litre to 0.15 gr/l.

STATISTICS ON HUNGARY

(For 1984 unless otherwise stated)

Area	93,033 km ²
Population	10,658,000
Life expectancy	65.6 years (men) 73.5 years (women)
Work-force	4,940,000
Visitors from abroad	13,400,000
Hungarians travelling abroad	5,400,000

Meterization (per 1000 population)	118
Telephones (per 1000 population)	129

Pigs	9.84 million
Cattle	1.91 million
Horses	0.11 million
Total farmland (sown area)	4.62 million ha

Output of natural gas	6,900 million m ³
Output of coal	25 million tons
Output of crude oil	2 million tons

Average annual growth-rate of GDP (1981-1983)	1.8%
Real income/consumption	+1.0%

Currency	Forint = 100 filler
Exchange-rate (May 1985)	1 US\$ = 50-51 Forint 1 £ St = 63-64 Forint

Public Holidays: 1 January, 4 April, Easter Monday, 1 May, 20 August, 7 November, 25 December, 26 December.

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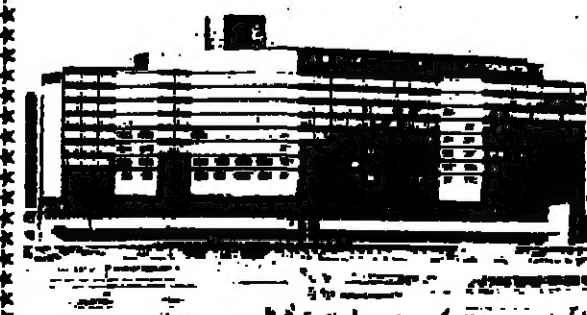


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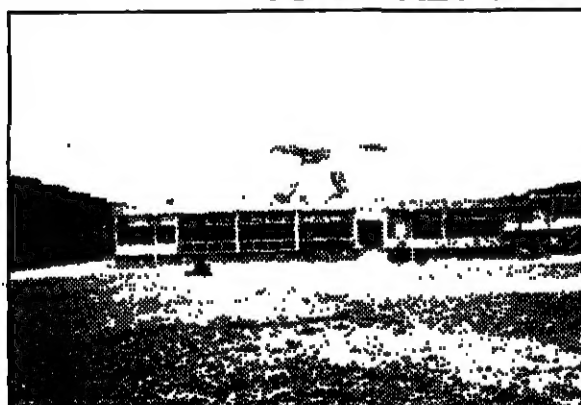
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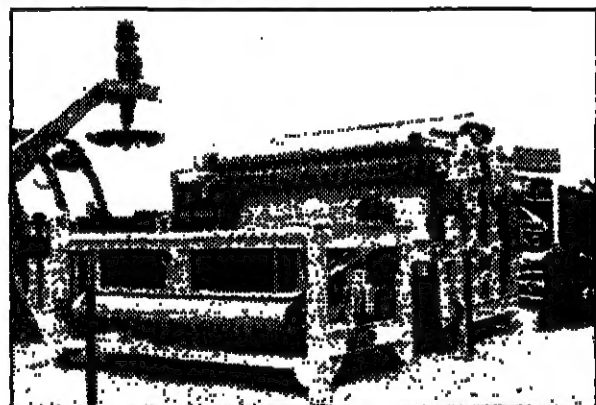
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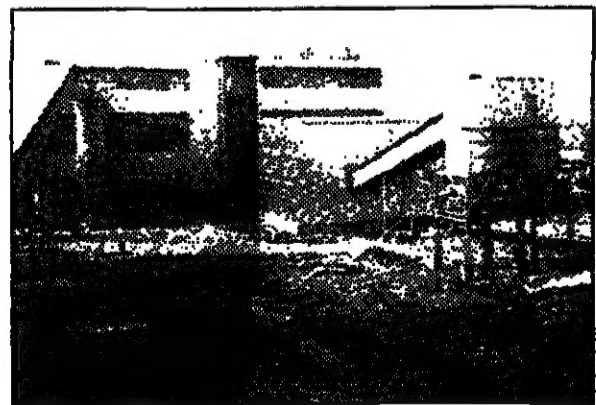
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Provincial Portrait The City of Eger

Heading north out of Budapest for a day in the country you could hardly do better than to choose Eger as your first destination. Not only is it the main town in the northern county of Heves, the flower garden of Hungary, but it is also the birthplace and home of one of the country's most famous wines - Eger Bull's Blood.

Today Eger owes its fame mainly to this rich, deep-red elixir, known locally as Egri Bikavér, but there was a period when its name resounded throughout Europe for quite another reason. In the 16th century a small garrison at Eger successfully withstood a siege by a vastly superior Turkish army. Today, more than four centuries later, you are frequently reminded of this heroic resistance to the Ottoman invaders.

For better or for worse the eastern invaders were more successful on their second incursion into Hungary. In 1596 the Eger garrison surrendered to the Turks on the promise of a safe conduct. The fortress remained in Turkish hands for nearly a century. For the most part the medieval city was de-

stroyed in the course of the battles which took place during the Turkish occupation. What remained though were the casemates hewn in the rock underneath the fortress and altogether 130 kilometers of cellars used then, as now, by the citizens for storage purposes as well as by the state wine co-operative for the barrels of maturing Bull's Blood. And whereas the other famous Hungarian wine, Tokaj, is often referred to as the "King of Wines", the vintners of Eger lay claim to the appellation the "Queen of Wines" for their product, which is exported to 53 countries. If you prefer a white wine while in the region then try a bottle of the sweet, but not cloying, Egri Leányka (Maiden) or the drier Olaszrizling.

Above ground present-day Eger is characterised by its wealth of Baroque buildings many of which have been, or are being, restored. This is part of a long-term policy spearheaded by the President (mayor) of the local council, Vilmos Varjú. Mr Varjú acknowledges the vital rôle played by tourism in the local economy. No less than 1.5 million visitors come to

Eger every year putting it statistically in fourth place (after Budapest, Lake Balaton and the Danube Bend).

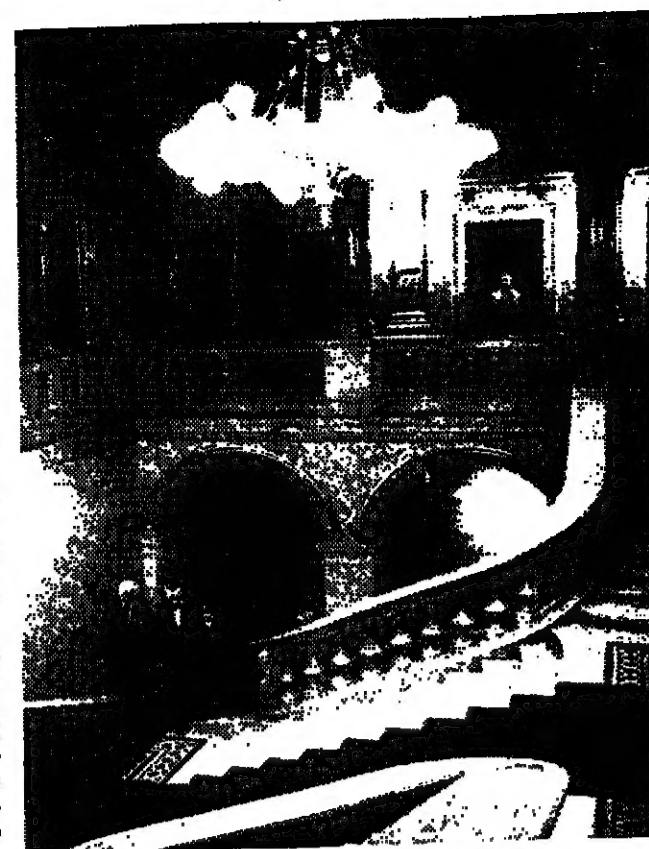
Trees and Horses

Apart from grape-growing the main industry in Heves County is forestry.

Of growing importance - and already famed worldwide - is the nearby Szilvsvárud stud-farm, specializing in the breeding of Lipizzan horses. Unlike the studs at Lipica itself (in Yugoslavia) and at Piber (in Austria) where the emphasis is on mounts for riding and for haute école performances, the Szilvsvárud breeders aim to develop the best possible horses for the local sport which is carriage-driving. Jenő Kovács, the Forestry Director in Szilvsvárud, maintains that his stock is genetically the best in the world at the moment. When, last year, the Spanish Riding School in Vienna was decimated by a degenerative form of equine herpes Szilvsvárud was able to step into the gap and send ten Lipizzan stallions to Piber to help renew the highly-strung Austrian stock.

New-Old Budapest Buildings

The Budapest Opera House threw open its doors again, after a five-year closure, on 27th September 1984, exactly 100 years after the building's inauguration during the days of the Monarchy.



Grand Staircase in the Budapest Opera.

No less than 1.3 bn Forint (more than U.S.\$25 million) had been spent on an extensive reconstruction programme. The Opera House with its wonderful frescos and gilded auditorium, has indeed been restored to its former glory while at the same time numerous modern improvements have been made to its technical installations, such as lighting and scene-changing. A reduction in the number of seats, from 1415 to the originally foreseen 1250, has also increased the comfort of spectators in the stalls, who have been given a better view of the stage. The renowned acoustics, have been preserved unaltered.

The acoustical properties were a main consideration in the design of the brand-new Budapest Convention Centre, on the other side of the Danube. With the main hall seating 1750, and total meeting space in the various Rooms (Bartók, Palma, Corvina etc.) amounting to 2500, the Convention Centre fills a long-felt gap in the city's facilities.

The first major international event scheduled, in autumn 1985, for the new Budapest Convention Centre will be the European Cultural Forum summoned in accordance with the Madrid Review Conference of the Helsinki Final Act.

Hungarian Records—Abel to Zipoli

One of the great success stories of Hungarian industry in the 1980s has to be heard to be believed. Hungaroton which - since the beginning of 1985 - has been renamed the Hungarian Record Company, now sells about half a million classical records (including LPs, muscassettes and Compact Discs) abroad every

year. This is more than half of total sales in the field.

By 1981 a significant technical step had been taken. Whereas previously records had been pressed as a sideline in a Budapest cable factory, a major investment led to the construction of a large tailor-made plant at Dorog, near Esztergom on the Dan-

ube Bend. This has an annual capacity of between eight and ten million LPs and cassettes.

The New Generation
As from 1981 the majority of Hungaroton's classical recordings are now made using digital means, suitable for the production of Compact Discs (CDs). Of these, 26 appeared last year and almost twice that number are scheduled for 1985.

Whereas Hungaroton is the name to look for when buying classical records, the Hungarian Record Company has a number of different labels for the other groups in its catalogue: Qualiton, for instance, for the big-selling range of operetta and gipsy music and Pepita for pop.

Thermal Tourism

Hungary may not have much crude-oil, the country's apologists like to say, but it does have plenty of "white oil". They are referring to the abundance of thermal-water sources which increasingly are coming to play a rôle in Hungarian tourism.

Balneo-therapy is a clumsy word but it spells relief for thousands of rheumatic sufferers who come to bathe in these health-giving waters, either taking a formal "cure" or simply swimming in one or other of the many pools which are kept open throughout the year for visitors. More often than not full spa hotel facilities are also available nearby. Take Hévíz for example. This small resort only a few kilometres away from the largest expanse of inland water in Central Europe, Lake Balaton, boasts a thermal pond with a surface area of 47,500 sq. metres. The spring delivers an average of 36,000 litres of water per minute which means that the whole of the lake's water is renewed every twenty-four hours. During the summer

the temperature of the water is 33-35°C, and even in winter it never drops below 26°C. So even those suffering from rheumatism are able to bathe in the open air the whole year round.

Whereas Hévíz, until less than ten years ago was almost exclusively used as a trade union recuperative centre it is now a thriving tourist resort. Two large four-star hotels have been built there, one almost adjoining the original pool, but also incorporating up-to-date treatment centres. The earlier of the two, the Thermal Hotel, has its own indoor pool served by the same thermal spring as feeds the open-air lake.

The same chain as runs the two Hévíz hotels, Danubius, also manages two spa hotels in the capital, Budapest. They are the five-star Margitsziget Hotel (on Margaret Island in the middle of the Danube) and the traditional Hotel Gellért with its own Roman-style thermal baths, using the Gellért Hill mineral hot springs.

"MA" — STANDS FOR "MAGYAR"

Malev, Mahart, Mased, Mahir - to name only a few of the most obvious examples - are among the service enterprises which travellers and business-people take turn to when dealing with Hungary. Magyarország, the Land of the Magyars, is its correct name in Hungarian and that first syllable catches the eye once you are attuned to it, even more swiftly than the equally prevalent "Hung-" or "Hungary-" in combinations such as Hungexpo or Hungarocamion. All stand for excellence in their own line.

MALEV, the Hungarian national airline, which in the sixtieth year of its operations serves 38 cities in 29 countries including (since the November 1983) Dubai in the United Arab Emirates. The passenger fleet at present comprises eight Tupolev T-134s and twenty TU-154s, as well as a number of turbo-prop Ilyushin IL-18 cargo planes. Last year's passenger turnover was 1,050,000 and 15,800 tons of bulk freight were carried.

MAHART, the Hungarian Shipping Company, has been operating since July 1983 as an independent enterprise, no longer under ministerial jurisdiction. Simultaneously a number of structural alterations were made with the aim of improving transport and freight services for customers. Almost 200 river-barges capable of carrying 230,000 tons and 21 ocean-going vessels (110,000 tons) make the Hungarian economy largely independent of foreign shipping lines when it comes to sending goods abroad by water. Mahart ships ply to ports in all continents with the exception of America and Australia. Passenger services (on the Danube - including hydrofoils - and Lake Balaton) only account for a small proportion of the company's turnover.

MASED and **HUNGAROCAMION** compete, successfully, for haulage contracts. Hungarocamion, founded in 1966, was the first company to run a collect-and-deliver freight service on the Budapest-London-Budapest run. Now it operates 22 various lines on a regular basis, and is regarded internationally as one of the best companies in the field.

MAHIR is the oldest advertising agency in Hungary. Since 1968 it has been doing advertising for foreign clients too.

HUNGEXPO specializes in the organization of international fairs and exhibitions including the dual Budapest event (Spring Fair for investment goods, Autumn Fair for consumer goods). Hungexpo is generally the official organizer of the Hungarian national exhibitions abroad. As a full-service advertising agency it is a traditional partner of foreign clients wishing to advertise in Hungary.

Among the other service industries promoted by **MAGYAR KERESKEDELMI KAMARA** (the Hungarian Chamber of Commerce, of which with Tamás Beck) are:

NOVEX, active in the field of technology transfer, and offering a selection of Hungarian licenses available for foreign companies. (News-Sheet "Innovation - Inventions - Know-How" available on request from P.O.B. 62, H-1364 Budapest).

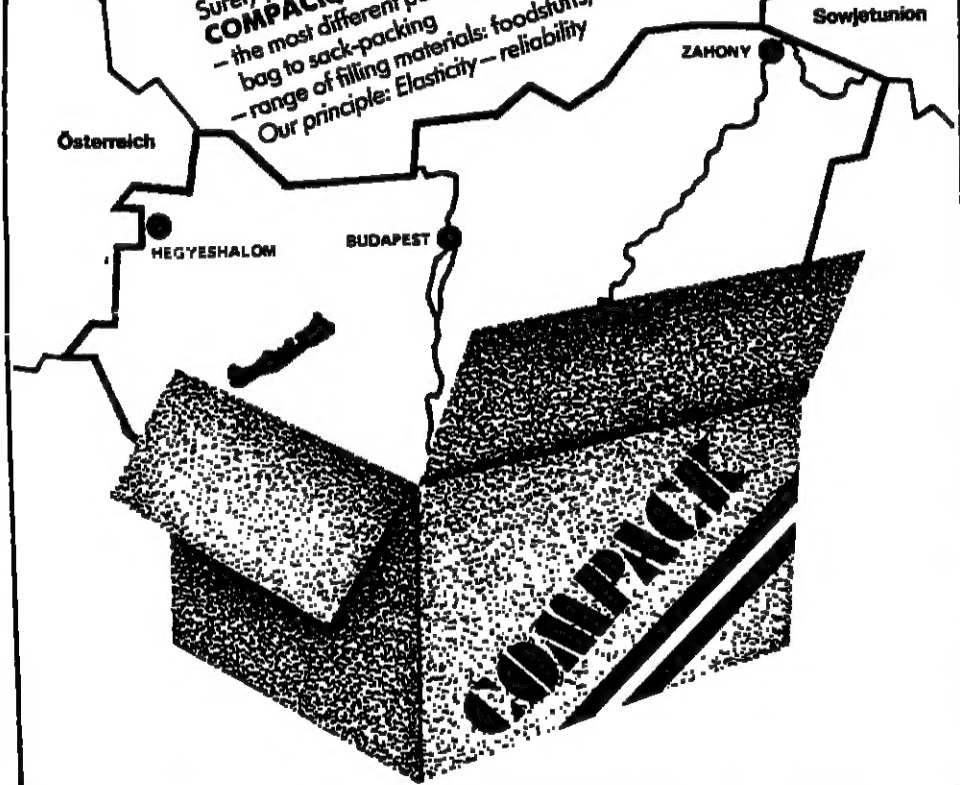
LICENCIA, available for advice on patenting products in Hungary, as well as free of charge for commercialising technology and marketing it. Has produced "an interesting number of millionaires" (quite legal in Hungary) and was responsible for the sensational success of the Bonty hair-tonic.

ALLAMI BIZTOSITÓ, the state insurance company, which insists the only remarkable thing about it is that it works exactly like insurance companies everywhere else in the world, offering the same services and occupying the same risks. Generates an appreciable part of the country's invisible exports. Emphasizes that this remarkable status is very important from the point of view of joint-ventures, and is often a factor in deciding whether a country enters into business with Hungary or not.

And not forgetting **MAYAD**, company for hunting excursions and game trading, which now has an edible-mail processing plant.

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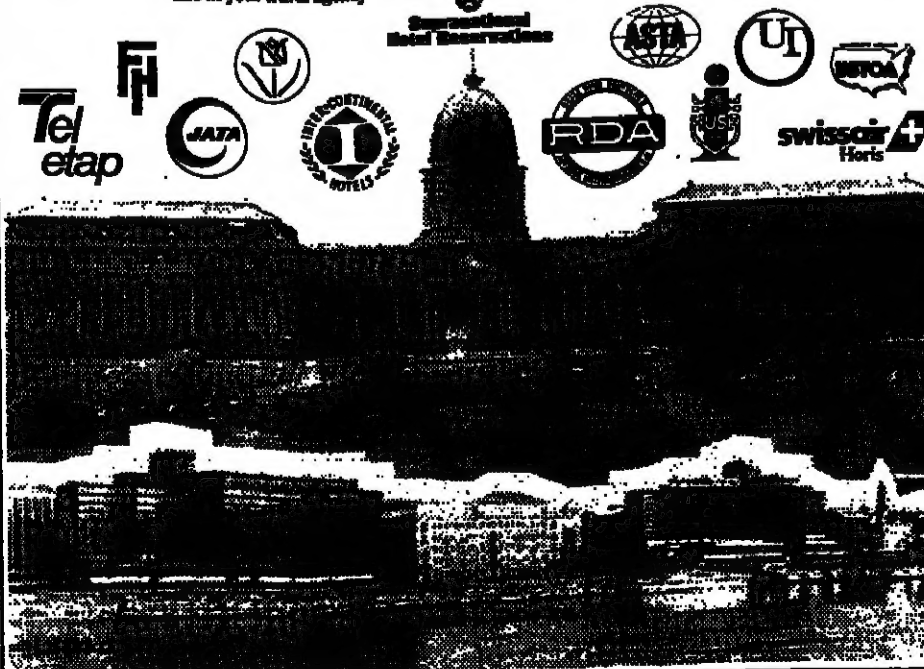
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ARTS / LEISURE

Life in a Parisian Stairwell

By Thomas Quinn Curtiss

International Herald Tribune

PARIS — Jean-Charles Tacchella sprung to renown with his second full-length feature after his apprenticeship as a scenarist. His breakthrough came with "Cousin, Cousine," which on its release in the United States was nominated for an Oscar and rose to

MOVIE MARQUEE

be the most profitable French film ever imported, a record it held until "La Cage aux folles" made the Atlantic crossing.

"Cousin, Cousine" pleased Americans with its informal glimpse of middle-class family life in France. It was folksy, friendly, casual and funny, almost a home movie in its approach.

For his new film, "Escalier C," Tacchella has chosen a lower social stratum than the provincial parlor types of "Cousin, Cousine." The characters are the inhabitants of a Parisian tenement, linked only by the fact that they dwell under the same roof. The plot — derived from a novel by Elvire Muraud — has been through the theatrical mill in countless boarding-house farces. The cross-section here is loosely knit, but it is not the over-the-top device but the portrayal of the characters that distinguishes the proceedings.

The central figure, played perfectly by Robin Remcci, is a vicious art critic whose savage verdicts on struggling artists have brought him notoriety. He meets his come-uppance when the public relations secretary of a gallery, enacted with fine flair by Catherine Leprieux, defies his bogus authority.

Tacchella has drawn each character in his script with remarkable insight. Among the "boarders of Stairway C" are an eternal cadger, a hardened boozier, an obnoxious homosexual, a would-be author who cannot get to his writing table because of the nagging of the shrew with whom he lives, a lonely little girl and a suicidal woman who finally hangs herself. The director has individualized them all persuasively. The non-residents, too, are tellingly portrayed, with Jacques Weber as a painter indifferent to judgment of his work and with Claude Rich as the critic's disdainful father.

Tacchella has achieved an arresting quality of contrasting temperaments, brilliantly colored and rounded, as they cavort before a disturbingly macabre setting. This curious and absorbing comedy-drama discloses its director's originality and versatility.

"Parking," yet another French

film to masquerade under an English title, is the latest work by Jacques Demy, who made the popular "Les Parapluies de Cherbourg" (The Umbrellas of Cherbourg) and the unpopular "Chambre dans la Ville" (Room in Town), a flop of last season in which the participants sang songs of social significance to empty pews.

The new Demy does not trade in politics but in modernized mythology, retelling the Orpheus-Eurydice legend with Orpheus as a pop crooner à la Michael Jackson and with his lady love a Japanese sculptress. In two showings, the house broke into uncontrollable mirth at the sight of its star rendering silly lyrics in a squeaky voice, meanwhile screwing up his face as though he had just been prescribed a dose of castor oil.

Since the star is Francis Huster, an alumnus of the Comédie Française, who is acting ably on the Parisian stage at the moment in "Le Sablier," a hit, explanations are in order.

Huster, like many stage actors, requires guidance in his choice of screen roles. He has been catastrophically miscast in "Parking," and he is the victim of directorial mistreatment to boot. Even a Caruso, a Chablis or a Calles would have been at disadvantage had they been photographed in closeup as they sang. Nor has he managed the non-musical episodes any better. The scene of the pop idol's dispute with his Japanese mate sent the audience into further gales of derisive glee. Indeed, Demy's direction only rises once above incom-

petence: in his mise-en-scène of the rock concert in Paris's Bercy auditorium, when the cameras are turned on the enthusiastic mob and not on the star.

The decor and shadowy lighting of Coccia's "Orpheus" have been appropriated: the garage by night with its sinister corridors representing the descent to Hades. The antechamber of the nether regions with Jean Marais in a corset, in charge of arrivals — is a computerized hall resembling an overcrowded airport, with the passengers lining up for check-in, a Dante-esque vision that adds new fears to the prospect of going to hell. The movie is dedicated to Coccia, a honor that would probably have embarrassed him.

David Bowie, as a genuine pop singer, would have been a more likely candidate for Demy's "Orpheus," but Bowie in "Last Tango in Paris," a German production in English, has suffered miscasting of another sort. As British fish-and-chips, a Noël Coward ditty or Savile Row tailoring, he has been selected to impersonate an idealistic young officer of the Kaiser who, narrowly escaping death on the battlefield, lands broke in Berlin after the armistice. Amid the city's wreck and ruin he earns his bread by selling his favors to predatory, well-heeled women and in disgust enlists in the rising Nazi ranks. These activities leave him no time to sing. His acting companions include Kim Novak, Maria Schell, Curt Jurgens, Marlene Dietrich, and, last and least, Sydne Rome,



Robin Remcci (left), Jean-Pierre Bacri in "Escalier C."

who, alas, takes the floor for some jazz yodeling. Dietrich has a cameo part, as the director of a male escort service, and delivers the song of the title in deep-throat, sultry tones. Bowie, deprived of his specialty, must be assassinated and have a swastika-decked funeral.

David Hemmings, directing this

push-pull, strives for period flavor, but his research appears to have been limited to listening to old records and seeing "Cabaret."

"Drôle de samedi" is from Switzerland, but its clockwork is faulty. It appears to be an attempt to do something in the manner of Jacques Tati, but Bay Olan, its Turk-

ish manufacturer, has an odd sense of humor. Its jokes are frequently so obscure they fall flat. A butcher who, like the demon barber of Fleet Street, commits multiple murder is nothing to laugh about, and the mixture of comic-strip cartooning and horrors results in a very sour cocktail. Francis Huster smiles his way through, roped into another duty. Among his companions in distress are Jacques Villeret as the bloodthirsty killer with a meat at the Zurich mime Zou, the Canadian ingénue Carole Laure, the deadpan Michel Blanc, Jean-Luc Bideau, usually a straight actor in problem pictures and Olan himself, who is responsible for the disaster.

'Secret Honor': An Imaginative, Funny Film Monologue

CAPSULE reviews of movies that have recently been released in the United States:

With "Secret Honor," adapted by Donald Freed and Arnold M. Stone from their monodrama, the director Robert Altman recaps his reputation. Vincent Conby writes in The New York Times. Surrounded by the kind of mini-television cameras that banks use to photograph thieves, plus monitors so that he can watch his performance — and oil portraits of Washington, Lincoln, Wilson and Kennedy, and one large photograph of Henry Kissinger, acting as witnesses — Philip Baker Hall, as Richard M. Nixon, delivers a 90-minute monologue that mixes fact with fancy, and self-serving explanations with genuine insight into the American way. A one-character movie, set entirely within a single set, unrelieved by flashbacks, fantasies or cutaways of any sort, it is one of the funniest, most unsettling, most

imaginative and most surprisingly affecting movies of its very odd kind.

Made under the aegis of Steven Spielberg, and crammed with every pop cultural artifact from Mad Magazine to Michael Jackson's sister, "The Goonies" doesn't even pretend to court the grown-up set. Janet Maslin writes in The New York Times. It was directed by Richard Donner, who succeeds in incorporating his own belated cartoonish "Superman" style into Spielberg's foolproof formula. It has crooks, bats, cowboys, skeletons, a lovable monster, an underground grotto and a treasure hidden by some of the most considerate, clue-loving pirates who ever lived.

"Sam's Son," written and directed by Michael Landon, is about

two things: Landon's father and Landon's hair. Janet Maslin writes in The New York Times. The young Gene Orowitz (Landon's real name), played chiefly by Timothy Patrick Murphy, is a javelin-throwing athlete and aspiring actor who inadvertently falls under the influence of Cecil B. De Mille. Watching De Mille's "Samson and Delilah," Gene decides that any "Sam's son" ought to think twice about haircuts, so he devises a number of tricks to keep his real haircut a secret. As a director, Landon has a way of pre-empting the emotional strength of his story well before it has a chance to assert itself. The film offers such frequent cues about what to feel that there's very little for the audience to do.

If "Perfect" did not have a germ of an idea tucked away in all its posturing silliness, it would not be

quite so infuriating. Sheila Benson writes in the Los Angeles Times. Superficially it is about sliding-scale morality in journalism today, a not uninteresting subject. However, any claim its makers, producer-director James Bridges and co-writer Aaron Latham, have to seriousness dissolves as the film becomes more voyeuristic and manipulative than the profession it indicts.

It stars John Travolta as a self-assured Rolling Stone reporter, while the proper journalistic attitude is laid out as Rolling Stone editor Jann Wenner, playing himself under a fictitious name, barks: "When you sit down to write, forget you've got a mother!"

Travolta performs with no edge to his character whatever, and the direction further confuses things by never letting us understand whether he is generally unprincipled or just a regular guy who from time to time does lousy things.

Strindberg's Full 'Dance of Death': A Rich Marathon of Marital Loathing

By Sheridan Morley

International Herald Tribune

LONDON — Four hours of Strindberg's "Dance of Death" is about two more than usual, but in giving us the uncensored Keith Hack, the director, (who recently gave us "Strange Interlude" and is clearly a man who believes in never leaving a theater much before midnight) has, at the Riverside Studios in

THE LONDON STAGE

Hammermith, produced a rich and rare theatrical marathon in which Alan Bates and Frances de la Tour play out the 20th century's first great black comedy of marital loathing.

In what is turning out to be a vintage summer for great male performances (Anthony Hopkins in "Pravda," Antony Sher in "Richard III," Kenneth Branagh in "Henry V," Michael Gambon in "Old Times," Ian McKellen in "Coriolanus," Daniel Massey in "Waste,") the London theater now has Alan Bates challenging the memory of Olivier's captain, 20 years ago at the Old Vic. Olivier came on a lot stronger, but Bates paces himself better across the four hours so that by the end we are with him in the hell later conceived by Sartre's "Huis Clos," the hell that is only made up of other people.

At first he and de la Tour seem to be in a mild domestic comedy of mismatched marriage. Ted Whitehead's new translation is nothing if not colloquial, and the games that the captain and his appalling wife are playing have never seemed closer to those of George and Martha in "Who's Afraid of Virginia Woolf?" perhaps the only 20th-century play that truly challenges this one to the sound of its own ghastly music. But by the end of the evening there is no doubt that these games are for real, and in the rarely seen last act, in which the battle is carried on into the next generation, Hack gives us sexual warfare on a global scale. Unable to live either apart or together, the captain and his lady are condemned forever to leading roles in a marital pantomime of which they are neither authors nor directors, merely stars. The Riverside Company has had the intelligence and the courage to realize that one of the many strengths of this play is that it is often very funny indeed.

The fact that it is also a resounding hymn of hatred to the notion of marriage gives it an everlasting topicality. Bates offers us a figure as once magnificent and pathetic in his evil loathing of those who once made the mistake of liking or marrying him, and both de la Tour and Michael Byrne, as the appalled onlookers, manage to suggest that they too are something less than perfect. For those who have always wondered how the "Dance of Death" ends, now is the time to find out: a savagely black comedy of appalling marital bad manners ends with a come-uppance which would delight the writers of any contemporary soap-opera of the "Dallas" variety and the thought that the sins of the fathers are not so much visited on the children as relished by them.

At the beginning of "The Overgrown Path" by Robert Holman (at the Royal Court) a Japanese girl jumps into a river and thus escapes the atomic devastation of Nagasaki in 1945; at the end of it, an English girl on holiday in Greece in 1984 takes shelter under a tree during a storm and is killed by lightning. Global and personal history, Holman seems to say, is as much a matter of random accident as of destiny or science. But here as in his haunting "Today" (the Spanish

Civil War play still in the Barbican Pit repertoire) Holman shows a novelist's interest in character rather than a stage manager's need for events. An old physics professor is living in Greek exile with a wife who once nursed at Nagasaki but is now herself dying of leukemia. With them for the summer are his stepdaughter, mourning the recent loss of an artist lover who lived to 66 without ever having his voice break, and a sweetshop proprietor from Yorkshire who has come to ask the old professor if he feels much guilt about hydro-bomb invention.

The play strongly echoes Brenton's "The Genius" and Louise Page's "Salonika" in its mix of nuclear guilt and sublimated wartime memories: the trouble is that although it is more fully constructed than Holman's earlier work, "The Overgrown Path" tends to ramble through the undergrowth of individual memory without getting much beyond the notion that chance is all, and not always a fine thing at that. But there are some marvelous performances, not least Peter Vaughan as the old professor and Stuart Wilson as his young interrogator, and it is not often one sees a character hit by lightning on a stage. Les Waters is the director.

At the Phoenix, "Strippers" is all too evidently a play that didn't start out as a play at all. It started out as a sociological article in The Guardian about the fact that in northeastern England, several housewives had taken to removing their clothes for the hard cash that their husbands were no longer making in more regular employment. That then became a local television documentary, and only then was Peter Terson commissioned to turn his playwright's attention to an already well-worn theme. Stripping in the theater has of course a long and honorable tradition: the big number in "Pal Joey" and much of Stephen Sondheim's "Gypsy" are concerned with the removal of clothes, but Terson is not in this for the celebration of the female body, although his play has already attracted some doubtless welcome attention from the protests at the box-office on opening night of a group of feminist campaigners.

What they should perhaps have been campaigning about is the absence of a coherent play here: clearly Terson has tried to do for "Strippers" what Trevor Griffiths did for "Comedians," which was to give an old-fashioned tradition a social and political context. "They've stripped off the Northeast of men ships, money and jobs," says one of the women midway through the evening, "so they might as well strip it of the clothes off your back as well." On that level this might have been an intriguing evening, since no other dramatist has yet got around to considering striptease as a branch of Thatcherian economics.

But Terson has had to build so much into a two-hour script (five complete strip routines, a solo spot for a club comic and some lumbering situation-comedy sequences to establish family backgrounds) that there is no time for sustained commentary.

"Strippers" tries to offer something for everyone: social comment, domestic comedy, bare flesh and a few jokes. But Terson is no Osborne, and this is no "Entertainer": it is a ragbag of impressions which lurches from backstage melodrama to instant psychiatry without ever working out whether its customers are readers of New Society, The Stage or Page 3 of The Sun. All of which is a pity, because there are some very good performances, notably those of Bill Maynard as the club comic who doubles as the women's cynical and seedy agent and Lynda Bellingham as the strippers' head girl.

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Deere	25.00	24.75	24.75	+1/4
Lincoln	15.00	14.75	14.75	+1/4
General	14.00	13.75	13.75	+1/4
IBM	12.00	11.75	11.75	+1/4
Johnson	11.00	10.75	10.75	+1/4
McDonald	10.00	9.75	9.75	+1/4
Merck	9.00	8.75	8.75	+1/4
Hormel	8.00	7.75	7.75	+1/4
Wal-Mart	7.00	6.75	6.75	+1/4
Target	6.00	5.75	5.75	+1/4
Walgreens	5.00	4.75	4.75	+1/4
CVS	4.00	3.75	3.75	+1/4
RCA	3.00	2.75	2.75	+1/4

Dow Jones Averages				
Open	High	Low	Last	Chg.
Index	1219.00	1218.00	1218.00	-4.00
Transp.	121.00	120.00	120.00	-1.00
Indus.	101.00	100.00	100.00	-1.00
Comp.	54.00	53.00	53.00	-1.00

NYSE Index				
High	Low	Close	Chg.	Vol.
1219.00	1218.00	1218.00	-4.00	1.2
121.00	120.00	120.00	-1.00	1.2
101.00	100.00	100.00	-1.00	1.2
54.00	53.00	53.00	-1.00	1.2

NYSE Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Wynn	41.00	40.00	40.00	+1/4
BAT	31.00	30.00	30.00	+1/4
Domest	21.00	20.00	20.00	+1/4
Domest	11.00	10.00	10.00	+1/4
Domest	1.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4

NASDAQ Index				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

AMEX Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

NASDAQ Index				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

Dow Jones Bond Averages				
Class	Prev.	Chg.	Vol.	Chg.
Bond	77.00	76.00	1.2	-1.00
Utilities	76.00	75.00	1.2	-1.00
Industrials	75.00	74.00	1.2	-1.00

NYSE Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

Buy	
June 18	206,384
June 7	201,231
June 6	206,507
June 5	240,904
June 4	199,571
*Included in the sales figures	

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Wynn	41.00	40.00	40.00	+1/4
BAT	31.00	30.00	30.00	+1/4
Domest	21.00	20.00	20.00	+1/4
Domest	11.00	10.00	10.00	+1/4
Domest	1.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4
Domest	0.00	0.00	0.00	+1/4

Standard & Poor's Index				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

AMEX Sales				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

AMEX Stock Index				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00

AMEX Stock Index				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	22.00	21.00	1.2	-1.00
Declined	21.00	20.00	1.2	-1.00
Unchanged	20.00	19.00	1.2	-1.00
Volume	1.2	1.2	1.2	0.00


Dow Jones Average Sheds 4.60 Points				
Open	High	Low	Last	Chg.
Index	1219.00	1218.00	1218.00	-4.60
Transp.	121.00	120.00	120.00	-1.00
Indus.	101.00	100.00	100.00	-1.00
Comp.	54.00	53.00	53.00	-1.00

Dow Jones Average Sheds

A		B		C		D		E		F		G		H		I		J		K		L		M		N		O		P		Q		R		S		T		U		V		W		X		Y		Z	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50		
51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100		



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WEDNESDAY, JUNE 12, 1985

INTERNATIONAL MANAGER

Champagne by Mail Charts New Way to Secure Capital

By SHERRY BUCHANAN

International Herald Tribune

PARIS — If you want to start a small business in France, venture-capital firms may not be your best bet. For some entrepreneurs, there may be better ways of getting start-up money. Marc Bungener and Jérôme de Rivoire, creators of InterMagnum, had an idea but needed financing. A Paris-based group of American venture capitalists told them they would be interested only if they could retain majority control of the new company. Mr. Bungener and his partner declined.

Instead, the two partners raised 34 percent of the 1.4 million francs (\$148,936) in start-up costs from French companies not in the venture-capital business, and 25 percent from a quasi-governmental agency. Another 18 percent came from the "fonds de placement à risque," in which a bank, usually government-controlled, takes equity in start-up ventures. The rest of the shares are divided among small, individual investors.

Through buy-back agreements — which give the two partners the first option to buy the shares — the two partners were able to retain majority control of Present International SA, the new company, which has been operating for six months. InterMagnum, the service offered by Present International, is to wine and spirits what Interflora is to flowers. Customers can go to their local liquor store and send 10 bottles of champagne anywhere in France in 24 hours for a 60-franc service charge, plus the cost of the champagne.

SINCE last December, InterMagnum, through 380 stores, has had 6,000 orders, a figure they hope to increase to 150,000 orders for the first year by enlarging the liquor-store network, starting a new advertising campaign and improving delivery.

The two partners have just added 381 liquor stores to their network through a contract with Etablissements Nicolas, the largest French chain of liquor stores. To build up a large network fast, the service was offered free to the liquor stores. Only the customer pays.

Without fees from liquor stores, Mr. Bungener and Mr. de Rivoire had to start from scratch to find the money. "I didn't have a cent after my U.S. venture, so it wasn't obvious to find capital," said Mr. Bungener, a veteran entrepreneur at 28. At 23, Mr. Bungener launched City Magazine in New York, a U.S. version of Pariscope, the weekly Paris entertainment guide. When one of his investors did not come up with 50 percent of the investment as promised, the magazine folded.

Always searching for new ideas, Mr. Bungener stumbled on InterMagnum when a friend mentioned how well Interflora did in France with relatively low capitalization. In 1984, the Société Française de Transmissions Florales SA achieved 33.1 million francs in sales of services and 937,608 francs in net profits on 1.5 million orders a year.

Mr. de Rivoire, 34, who has eight years of corporate experience in the food and drink sector as well as a two-year stint as an entrepreneur, was the ideal partner. "I was born in a wine bottle," he said. His father is a wine producer and distributor in Bordeaux and his mother has a vineyard in Burgundy. After being product manager with Etablissements Nicolas, Mr. de Rivoire set up a cash-and-carry wine business in Brussels. Later, he went to work for Cusenier, a subsidiary of Pernod Ricard SA, the French liquor concern, as product manager.

Last April he quit his job to set up InterMagnum. "It was a big risk but when I have an idea, I stick with it until the very end," Mr. de Rivoire said.

The investors were sold on the idea and on the two partners' entrepreneurial flair and managing capabilities. Bernard Roux, a self-made man and chief executive of Roux, Seguela, Cayssac & Goudard (RSCG), one of France's largest advertising agencies, was the first to believe in the project and bought 10 percent of the company.

Pernod Ricard Entrepreneur, a subsidiary of Pernod Ricard (Continued on Page 17, Col. 3)

Currency Rates

Cross Rates	U.S.	D.M.	Y.P.	Y.L.	Gld.	B.F.	S.F.	Y.S.
Amsterdam	3.615	4.392	172.25	36.55	9.771	17.28	12.54	10.26
Antwerp	3.615	4.392	172.25	36.55	9.771	17.28	12.54	10.26
Frankfurt	3.615	4.392	172.25	36.55	9.771	17.28	12.54	10.26
London	1.565	1.932	118.85	24.25	4.284	7.88	3.28	2.54
Madrid	164.50	200.25	80.00	20.00	5.000	9.000	7.000	5.000
New York	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Paris	6.41	11.88	3.804	4.995	2.704	15.21	3.222	2.712
Tokyo	358.8	215.0	8.8	22.1	3.2	16.0	9.15	7.01
Zurich	3.597	4.382	171.61	36.42	9.757	17.25	12.52	10.23
ECU	8.725	10.46	3.242	4.284	2.508	15.257	3.222	2.712
SDR	0.9081	1.078	0.3403	0.4503	0.2503	1.4503	0.2503	0.2503

Closing in London and Zurich, fixings in other European centers. New York rates of 4 P.M. (C) Commercial rates (D) Amounts needed to buy one dollar (E) Amounts needed to buy one unit of 100 (F) Units of 100 (G) Units of 100 (H) Units of 100 (I) Units of 100 (J) Units of 100 (K) Units of 100 (L) Units of 100 (M) Units of 100 (N) Units of 100 (O) Units of 100 (P) Units of 100 (Q) Units of 100 (R) Units of 100 (S) Units of 100 (T) Units of 100 (U) Units of 100 (V) Units of 100 (W) Units of 100 (X) Units of 100 (Y) Units of 100 (Z) Units of 100 (AA) Units of 100 (AB) Units of 100 (AC) Units of 100 (AD) Units of 100 (AE) Units of 100 (AF) Units of 100 (AG) Units of 100 (AH) Units of 100 (AI) Units of 100 (AJ) Units of 100 (AK) Units of 100 (AL) Units of 100 (AM) Units of 100 (AN) Units of 100 (AO) Units of 100 (AP) Units of 100 (AQ) Units of 100 (AR) Units of 100 (AS) Units of 100 (AT) Units of 100 (AU) Units of 100 (AV) Units of 100 (AW) Units of 100 (AX) Units of 100 (AY) Units of 100 (AZ) Units of 100 (BA) Units of 100 (BB) Units of 100 (BC) Units of 100 (BD) Units of 100 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Other Dollar Values

Currency	per U.S.	Currency	per U.S.	Currency	per U.S.	Currency	per U.S.
Australian	75.26	Philippine	4.62	Malay	2.471	S. Kor.	87.55
Belgian	1.37	Singapore	1.37	Mex.	26.30	Thai	17.40
British	2.25	Taiwan	1.27	Indo.	8.81	Indo.	8.81
Canada	0.71	Thailand	1.27	Phil.	1.27	Phil.	1.27
French	6.41	India	1.27	Indo.	8.81	Indo.	8.81
German	3.36	Indo.	8.81	Indo.	8.81	Indo.	8.81
Italian	1.37	Indo.	8.81	Indo.	8.81	Indo.	8.81
Japanese	11.07	Indo.	8.81	Indo.	8.81	Indo.	8.81
Norwegian	0.74	Indo.	8.81	Indo.	8.81	Indo.	8.81

Source: Reuters, 12:45 P.M.

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Argentina, IMF Set Loan Pact

Way Is Cleared For New Credits

By James L. Rowe Jr.

Washington Post Service

WASHINGTON — Argentina and the International Monetary Fund Tuesday reached a tentative agreement on a tough Argentine austerity program that will pave the way for a \$1.2-billion IMF loan and unlock \$4.2 billion in new bank loans for Buenos Aires.

The U.S. Treasury said it is working with several industrial and Latin American governments to put together a temporary loan to Argentina to enable the country to pay some of the \$1.2 billion in overdue interest owed to commercial banks. U.S. regulations are making it difficult to examine the quality of the roughly \$3 billion of Argentine loans from U.S. banks.

On Friday, President Raúl Alfonsín announced that an accord with the IMF had been reached on a standby loan, but Tuesday's announcement came only after further talks at the fund's headquarters in Washington.

Government and banking sources said the IMF has demanded that Argentina take tough steps to reduce inflation, make its exports more competitive and accept a federal budget deficit before the international agency's executive board will formally approve the arrangement.

Argentina agreed to an IMF program last December, but failed to meet the fund's terms. Its economy has since worsened, and its latest monthly inflation rate of 25 percent works out to an annual rate of 1,300 percent. Domestic investment has virtually dried up and output is declining.

On Tuesday, Argentina announced an 18-percent devaluation of its peso. The move will make imports more expensive and exports cheaper and is designed to help Argentina build up foreign currencies it needs to pay its \$4.2 billion in foreign debts. Some \$25 billion of this is owed to banks.

Last week the country raised energy prices 30 percent and is expected to announce a large increase in public-utility rates soon. Both actions will reduce government subsidies and, as a result, its budget deficit.

The devaluation and the price increases initially will worsen the country's inflation rate. Over the longer run, they are supposed to have a beneficial effect both on Argentina's international and domestic financial crisis by reducing its need to borrow from abroad to finance its debt payments and cover its federal deficit.

BUSINESS ROUNDUP

GM-Toyota Unit Urged to Lift Output

By James Risen
Los Angeles Times Service

DETROIT — General Motors Corp. has pressured New United Motor Manufacturing, GM's joint venture with Toyota, to increase its auto-production schedule for 1985 by nearly 35 percent to get the venture's new small cars to all 5,200 Chevrolet dealers before the end of the year, Chevrolet officials say.

Chevrolet's general manager, Robert D. Burger, said Monday that the GM division had been disappointed by the joint venture's initial plan to produce just 43,000 Nova models this year at its plant in Fremont, California. The venture, which built its first cars last December, has been overly cau-

tious in its plans to gear up to full production, Mr. Burger said.

But after GM pushed the joint venture to accelerate production, New United complied by increasing its schedules beginning in the second quarter, Mr. Burger said. Now, the joint venture expects to build 58,000 units this year, and Chevrolet has moved up its nationwide introduction and distribution of the Nova from early 1986 to September or October, 1985, Mr. Burger added.

The Nova is the only one of Chevrolet's three Japanese-based products being assembled in the United States, Mr. Burger said that 70 percent of the parts and material used in the car — including the

engine and power-train — will be imported from Japan.

GM officials have repeatedly promised that the car will have a 50-percent domestic content, but Thomas McDaniel, director of international marketing programs for Chevrolet, said Monday that this level will only be reached by including the value of American labor used at Fremont.

The GM push to speed up production at Fremont underscores a basic difference between the U.S. and Japanese auto industries in their approaches to manufacturing new products, Mr. Burger noted.

Traditionally, U.S. automakers optimistically promise their dealers that they will have an adequate supply of new cars by a preset date, while the Japanese tend to set more pessimistic initial production goals and are less concerned about immediate, nationwide availability for new cars, he said.

Meanwhile, Chevrolet also has accelerated its plans for the start of the nationwide distribution of its two new Japanese-built small cars, the Chevy Sprint and Spectrum models. GM began selling both cars last year, but because of strict quotas on Japanese imports, it has not had enough to distribute them.

Douglas, Fluor Join to Revamp China's Airports

The Associated Press

LONG BEACH, California — Douglas Aircraft Co. said it has joined forces with Fluor Corp., the U.S. engineering concern, to look into revamping China's airports. Neither company put a price on the potential size of the Chinese work.

"They (the Chinese) apparently have decided that it is better to develop air transport at this time than it is to develop highway and rail systems," Don Hanson, a spokesman for Long Beach-based Douglas, a unit of McDonnell Douglas Corp., said Monday.

Garth C.C. Chang, president of McDonnell Douglas China Inc., said: "China offers a tremendous market in the area of commercial and industrial projects, and we're certain this joint venture will help China move forward with its modernization efforts."

Douglas and Fluor said they will study the feasibility of all phases of airport projects.

Finland Bank Reorganizes Its Operations Into 3 Units

By Brenda Hagerty
International Herald Tribune

LONDON — Union Bank of Finland has reorganized its operations into three business areas.

The Helsinki-based bank's chief general manager, Ahti Hirvonen, said the reorganization will be effective Sept. 1 and will allow the UBF group to adapt to recent rapid changes in domestic and international banking.

The international banking operations and corporate banking sector will be headed by Pavo Laitinen, currently head of international banking operations and deputy chief general manager.

Erik Stadhig was named deputy chief general manager with responsibility for the finance operations sector, which will include foreign currency and short-term money market operations and accounting.

The branch network and retail banking sector will be headed by Kurt Stenwall, deputy chief general manager.

Apple Computer Inc., the Silicon Valley-based maker of personal computers, has appointed Jean Calmon as head of Apple France. Mr. Calmon, who was commercial manager of the French unit, succeeds Jean-Louis Gasse. Mr. Gasse, as previously reported, moved to Apple's Cupertino, California, headquarters as head of marketing worldwide for the company's Macintosh personal computer.

Banco di Napoli has named Giampaolo Vigliani manager of the international department. Mr. Vigliani moves to the bank's Naples head office from Luxembourg, where he served as managing director of Banco di Napoli International SA. He is succeeded in Luxembourg by Carlo Arcari, who was an assistant manager of the international department in Naples.

Davy Corp., the British engineering and construction group, said Lord Jellicoe has been appointed to its board and elected deputy chairman, effective July 1. Davy said it intends for him to succeed the current chairman, Peter Benson.

munications at UTC. Before joining the company in 1975, he was vice president, operations, for McGraw-Hill International Publications Co., based in London.

Union Bank of Switzerland (Securities) Ltd. in London said Bernard Woodford, formerly with Chemical Bank International Ltd. in London, will be joining its ranks to trade French and supranational fixed-income securities.

Gold Options (prices in \$/oz.)			
Price	Aug	Nov	Feb
300	1526.14/25	1600.19/20	—
320	1600.11/12	1674.10/11	2025.10
340	1674.08/09	1748.07/08	2100.05
360	1748.04/05	1822.04/05	2175.00
380	1822.01/02	1896.01/02	2250.00
400	1896.00/01	1970.00/01	2325.00
420	1970.00/01	2044.00/01	2400.00
440	2044.00/01	2118.00/01	2475.00
460	2118.00/01	2192.00/01	2550.00
480	2192.00/01	2266.00/01	2625.00
500	2266.00/01	2340.00/01	2700.00
520	2340.00/01	2414.00/01	2775.00
540	2414.00/01	2488.00/01	2850.00
560	2488.00/01	2562.00/01	2925.00
580	2562.00/01	2636.00/01	3000.00
600	2636.00/01	2710.00/01	3075.00
620	2710.00/01	2784.00/01	3150.00
640	2784.00/01	2858.00/01	3225.00
660	2858.00/01	2932.00/01	3300.00
680	2932.00/01	3006.00/01	3375.00
700	3006.00/01	3080.00/01	3450.00
720	3080.00/01	3154.00/01	3525.00
740	3154.00/01	3228.00/01	3600.00
760	3228.00/01	3302.00/01	3675.00
780	3302.00/01	3376.00/01	3750.00
800	3376.00/01	3450.00/01	3825.00
820	3450.00/01	3524.00/01	3900.00
840	3524.00/01	3598.00/01	3975.00
860	3598.00/01	3672.00/01	4050.00
880	3672.00/01	3746.00/01	4125.00
900	3746.00/01	3820.00/01	4200.00
920	3820.00/01	3894.00/01	4275.00
940	3894.00/01	3968.00/01	4350.00
960	3968.00/01	4042.00/01	4425.00
980	4042.00/01	4116.00/01	4500.00
1000	4116.00/01	4190.00/01	4575.00

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NUMERICAL LIST:

- 1) Of the series including the 15,000 bonds which were drawn on the second drawing by lot dated May 28th, 1985, representing the total annuity of U.S. \$15,000,000 to be redeemed on July 18th, 1985:
- 1 to 5,811
50,812 to 57,672
72,673 to 75,000
- 2) Of the series drawn on the previous drawing including securities not yet presented for redemption

Drawing dated May 28th, 1984 - Redemption July 18th, 1984
57,673 to 72,672

These bonds will be redeemable at U.S. \$1,000 at FRENCH AMERICAN BANKING CORPORATION - NEW YORK and at the offices of the following Establishments:

- BANQUE NATIONALE DE PARIS (LUXEMBOURG)
- S.A. LUXEMBOURG
- BANQUE INTERNATIONALE A LUXEMBOURG - LUXEMBOURG
- BANQUE NATIONALE DE PARIS - PARIS
- MORGAN GUARANTY TRUST COMPANY OF NEW YORK - BRUXELLES
- SOCIÉTÉ DE BANQUE SUISSE - BAILE
- SOCIÉTÉ GÉNÉRALE - PARIS
- UNION DE BANQUES SUISSES - ZURICH

Outstanding amount: U.S. \$45,000,000.

Goldsmith Wins Seat on Zellerbach

The Associated Press

SAN FRANCISCO — Crown Zellerbach Corp. reported that shareholder resolutions offered by Sir James Goldsmith were soundly defeated at this year's annual meeting, but that the British financier had gained enough votes to put himself on the board.

Although the vote was made official Monday, Crown management disclosed the outcome soon after the May 9 meeting using preliminary tallies.

Sir James owns a little more than 25 percent of the forest products company's stock. He and Crown Zellerbach announced May 26 that they had reached a "truce" and that the company had granted Sir James a seat on the board.

Sir James's shareholder proposals asked Crown to do away with an anti-takeover plan.

Meanwhile, Chevrolet also has accelerated its plans for the start of the nationwide distribution of its two new Japanese-built small cars, the Chevy Sprint and Spectrum models. GM began selling both cars last year, but because of strict quotas on Japanese imports, it has not had enough to distribute them.

Guinness Lifts Net by 26%

Reuters

LONDON — Arthur Guinness & Sons PLC said Tuesday that net income rose 26.4 percent, to £25.4 million (\$31.7 million), in the first half ended March 31, from £20.1 million a year earlier.

Sales increased 28 percent, to £562.6 million, from £438.3 million a year earlier.

On a per-share basis, net rose to 11.2 pence a share from 9.6 pence a year earlier, the company said.

The diversified British brewing concern attributed the earnings increase to substantial benefits from a development program begun last year with the acquisition of Martin the Newsagent PLC.

Announcing the results, Guinness said it is on course to achieve profits as good as any in the industry, with retailing an area of major growth for the group.

In traditional markets, the positive impact of the campaign to revitalize the Guinness brands continues, the company said. Draught Guinness volume sales in Britain and Ireland continued to improve in the latest period.

In the United States, Guinness Import Co. continued to outperform its sector and the growth rate in West Germany accelerated.

The results announced Tuesday included acquisitions made after the end of the last financial year.

The company said these purchases will substantially contribute to future growth and development. Substantial progress has been made in integrating these companies, it added.

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COMPANY NOTES

American Express Co. said it signed a definitive agreement to sell its Warner Ames Cable Communications Inc. to a group made up of American Television & Communications Corp., which is a unit of Time Inc., and Telecommunications Inc. for \$850 million and assumption of Warner Ames debt of about \$300 million.

Argyll Group PLC of Britain said pre-tax profit rose 33 percent in the year ended March 30, to £53.1 million (\$66.9 million). Volume rose 16 percent, to £1.68 billion. The company said it expects to open 20 new Presto food stores in the current fiscal year.

Pernod Ricard SA, the French liquor company, has agreed to take control of the Italian liquor producer Distillerie Fratelli Ramazzotti SpA. No additional details were announced.

Petro-Lewis Corp. of the United States said it agreed definitively to sell a group of producing oil and gas properties to Consolidated Oil & Gas Inc. for cash and stock with a total value of \$17.4 million.

Samsung Precision Co. is to take part next year in making a new fuel-efficient jet engine under a joint venture agreement with the Pratt & Whitney Co. subsidiary of United Technologies Corp., Samsung officials said.

CRA Ltd. and a unit of Mitsubishi Corp., Mitsubishi Development Pty. Ltd., said they would begin an 18-month feasibility study of a large coal deposit in New South Wales, Australia.

Electronic Mail Corp. of America said it agreed with Luxembourg to form a new subsidiary, Electronic Mail Europe SA. The Luxembourg government is putting up \$5 million to fund the venture over the next three years, the company said.

Storage Technology Corp. told shareholders that it expects to report a loss of about \$30 million for the first quarter of 1985. A year earlier, the company earned \$16.7 million, or 48 cents a share.

Suzuki Motor Co. said it agreed with three Chinese companies through China National Aero-Technology Import & Export Corp. and Shandong Foreign Trade Corp. to assemble motorcycles in China. Production eventually is to total 150,000 units a year.

Transatlantic Insurance Holdings Ltd. said it is making an offer of 225 pence (\$2.93) a share for Capital & Counties PLC. The offer would value the company at about £173 million. Transatlantic, a unit of Liberty Life Association of Africa Ltd., already holds 34.5 percent of Capital's shares outstanding.

Schneider & Moenzing, a private Munich bank temporarily closed by banking authorities in May, probably will be closed for good because no buyer has been found, according to a spokesman for the West German Banking Association. He said that a decision should be made this week about the bank's future.

Westates Ends Talks With Total

Reuters

HOUSTON — Westates-Italo Co., a U.S. energy concern, said Tuesday negotiations for the sale of the company to Compagnie Française des Pétroles (Total) have been terminated.

Westates said it received a proposal from another major oil and gas company to acquire all its shares under terms deemed more advantageous than those of previously considered transactions.

Last March, Westates said stockholders would receive about \$18.50 a share under an agreement in principle approved by its board for its acquisition by an Italian unit of Total. Westates also said it agreed in principle to buy additional reserves from Unocal Corp.

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All of these securities have been sold. This announcement appears as a matter of record only.

May, 1985

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Incorporated

Bear, Stearns & Co.

The First Boston Corporation

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Drexel Burnham Lambert
Incorporated

Goldman, Sachs & Co.

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.
Incorporated

Lazard Frères & Co.

Merrill Lynch Capital Markets

Montgomery Securities

Morgan Stanley & Co.
Incorporated

PaineWebber
Incorporated

Prudential-Bache
Securities

Robertson, Colman & Stephens

L. F. Rothschild, Unterberg, Towbin

Salomon Brothers Inc.

Shearson Lehman Brothers Inc.

Smith Barney, Harris Upham & Co.
Incorporated

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Allen & Company
Incorporated

A. G. Edwards & Sons, Inc.

Oppenheimer & Co., Inc.

Thomson McKinnon Securities Inc.

Arnhold and S. Bleichroeder, Inc.

Cazenove Inc.

Robert Fleming
Incorporated

Kleinwort, Benson
Incorporated

Rothschild Inc.

Banca del Gottardo

Banque Indosuez

Crédit Commercial de France

Grieson, Grant & Co.

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NASDAQ National Market Prices

(Continued from Page 14)

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SPORTS

In Pursuit of Italian Basketball Player Marco Baldi, the Drama Becomes Comedy

By Sally Jenkins

Washington Post Service

WASHINGTON — When Marco Baldi announced last week that he would play basketball at St. John's University next year, one of the most bizarre recruiting wars in recent memory ended. The pursuit of this 6-foot-11 (2.1-meter) Italian schoolboy with a nice outside shot reads like a cloak-and-dagger mystery.

Ask the St. John's coach, Lou Carnesecca, whose tongue is still tied from speaking Italian, or the University of Southern California coach, Stan Morrison, who had Baldi land on his front doorstep two years ago only to see him defect to New York. Or the University of Maryland coach, Lefty Driesell, who also came up empty, but did return from Europe with an armload of Gucci bags and a 7-2 German player.

The courtship of Baldi, an Italian exchange student at Long Island Lutheran High School in Brooklyn, New York, spanned two continents. It included secretive overseas phone calls, plane trips to Milan, meetings in airports. Baldi was far from the best high school player available this year, but he fit everyone's need for a big man — and that meant a free-for-all.

"It's been unusual," Carnesecca said. "But he's 6-11, and everybody chases big guys."

Baldi is an intelligent, well-built 18-year-old who averaged 18 points and 12 rebounds. A banker's son, he has a 4.0 grade-point average and is fluent in French and English, with a smattering of German.

He also was utterly bewildered by U.S. recruiting. "I never saw anything like it," he said. "It was crazy."

He is the first Italian player allowed out of the strict Italian club system to play for a U.S. university. That may have made him more of a catch than his physical credentials and accounted for some of the craziness. The Lutheran coach, Bob McKillop, never thought Baldi would be his most recruited player.

"The thing is, I've coached a lot of players who were more talented," McKillop said. "Marco is a good player, but he's not great talent."

Baldi narrowed his choices to St. John's, Maryland and USC several weeks ago, then decided against Maryland on the advice of his club, Simac, one of the best in Italy. Simac advised him to choose USC, but he finally chose St. John's because he can play as a freshman.

"It's the best situation for me," said Baldi, who lives a

half-hour from campus with an American family. "I feel comfortable with the coach, and it's a chance to play right away."

The pursuit of Baldi came to a hilarious head recently at JFK Airport in New York. During spring vacation, he returned to Milan to play for his club in a tournament. Just before leaving, he ran into Carnesecca, who just

"I never saw anything like it," said Marco Baldi, 18. "It was crazy."

happened to be strolling around the airport. When Baldi boarded the plane, he saw a Maryland assistant coach, Ron Bradley. When he arrived for the tournament, Carnesecca and a USC assistant coach, David Spencer, were sitting together in the stands. Spencer had played for Dan Peterson, general manager of Simac.

"It was intrusive, cloak-and-dagger stuff," said McKillop. "To see all the leg work was remarkable. One coach started going to Italy, and then they all did. School A

would do something, and then School B would follow."

When Baldi became somewhat upset by all the attention, McKillop all but sequestered him with his host family, cutting off contact with the press and asking the competing schools to restrict their efforts to letters.

Baldi postponed his decision until long after most American prospects had made their choices this spring. He spent long hours consulting his parents and general manager during his trip to Milan.

If Baldi was naive about the recruiting process, it is because there is nothing like recruiting in Italy. The Italian club system is completely separate from the school system; a player signs with a club at an early age and is bound to it the rest of his career.

"It's a funny thing about that," McKillop said. "They think schools are for learning."

The coaches' jet-setting "wasn't as glamorous as it sounds," said USC's Morrison, who first saw Baldi when he played his sophomore year in nearby Irvine, California, before transferring to Lutheran. "When you go on Tuesday and come back Thursday, it's not much fun. Gymnasts smell the same all over the world."

Driesell spent most of his three-day visit meeting with Baldi's parents or shopping. "It was no big deal," he said. "I just watched him practice. I went around Milan a little, bought some Italian shoes, some china, some Gucci purses for my wife."

Although he lost Baldi, he did sign Christoph Weisheit, a 7-2 exchange student from Cologne who played at Effingham High School in Illinois. Weisheit is the tallest player ever to sign a letter of intent to Maryland and averaged 20.1 points and 6.5 rebounds at Effingham.

"I don't think there are that many good players over there," Driesell said. "Marco is not a Patrick Ewing," the Georgetown University star. "He's just a big kid who needs to play. If he was that good, he'd be playing for his club already."

Another twist to the story is that Baldi's club could call him back to Milan any time. He probably will play at least two seasons at St. John's and could stay for the full four, but that depends on how quickly he develops.

"It's better to have loved and lost, than never to have loved," Carnesecca said. "We'll prepare him, and then he'll go back. That's where his future is."

Lessons in Mexico Are Painful

Europe's World Cup Teams Will Need Some New Skills

International Herald Tribune
LONDON — Quick, pass the oxygen.

For the top European soccer players there is seldom time to consider tomorrow as another day, let alone build on aspirations a year hence. They are run into the ground 11 months out of 12, running for profit at a pace that burns out the desire and the freedom to properly learn the skills of their fathers.

Suddenly, these single-minded competitors are asked to switch track, to be guinea pigs. Italy, West Germany and West Germany have plucked their nations' finest out of frantic club commitments, dropped them into Mexico City and asked

ROB HUGHES

them to try out a whole new way of movement, of conserving energy. Of breathing in a strange atmosphere. It would be like shutting astronauts into outer space after five minutes in a weightless chamber. Players are flown from Turin, from London and from Frankfurt to see which of them can — at fractions of the time scientists advise for sensible acclimatization — cope at an altitude of 7,500 feet (2,266 meters) under the midday sun. To see who can run until he drops and then run on, who can grasp a new concept of breathing football that a

year from now, will win the World Cup in Mexico's heat, altitude, pollution and hysteria.

The Italians came, drew with Mexico, beat England and returned to earn their first in the domestic cup competition. The English arrived, spent eight days leading off

hostility aroused by the deadly bootlegging of Brussels, lost to Italy, lost to Mexico and, with a third game in six debilitating days, await West Germany on Wednesday. The Germans, presently the world's leading goalscorers at sea level, have just 48 hours to convert from their exertions at Bundesliga to high altitude experiment.

And they say it is only a game, although "they" categorically do not include the pitifully few Mexican spectators who brave noon temperatures to shriek in disgust when the pace dwindles to a standstill.

Not that Mexico's own potential heroes have it easy. Sure, they can more sensibly space out matches from Sunday to Sunday, picking off foreigners who need to cram three games into a week. But the Mexicans, too, are being hauled out of a lifetime's habits.

A year is long enough in the world's most overpopulated capital for 146,000 new births, but few of the national soccer players will have much time to add to that swell. Their World Cup already has begun.

They have been scolded from club duties to concentrate for the whole year on next summer's tournament. Their squad, 40 strong but to be reduced to 22 in February, will receive at least 25 matches and the nearer the event comes the more their task — expected to culminate in Mexico's finest sporting hour — will breed tension.

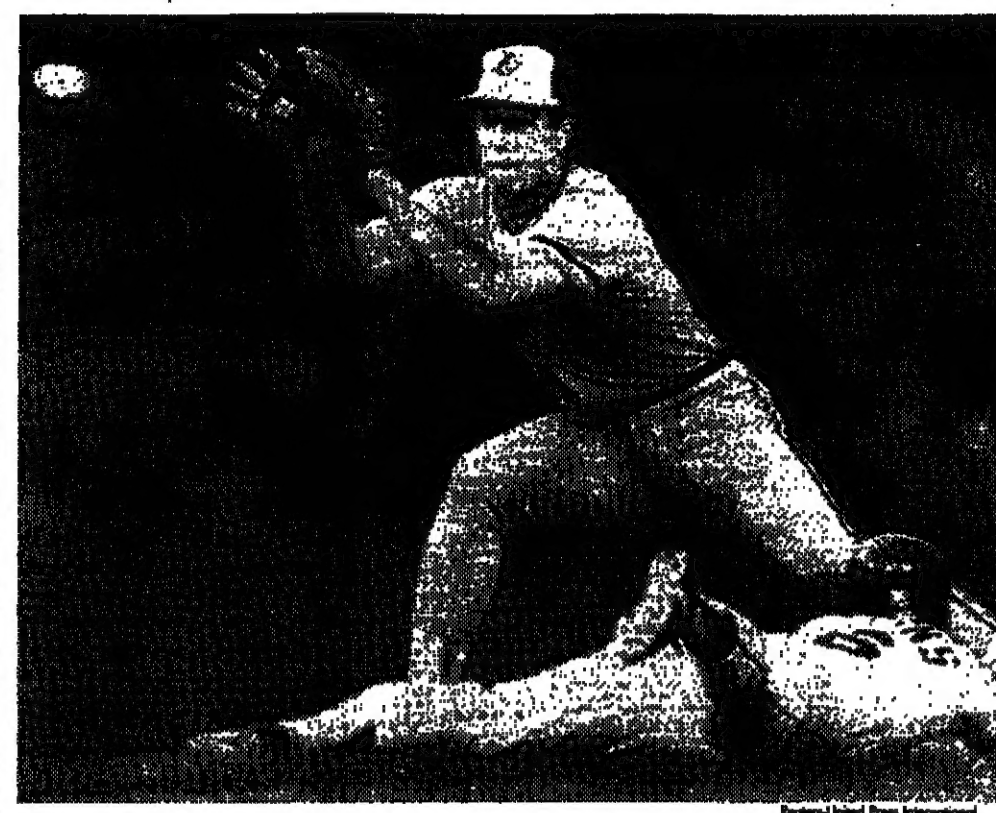
Mexico has taken part in 8 of the 12 World Cup finals, but has won only 3 games and lost 17. Even with all the advantages of playing in Mexico in 1970 the team did no better than reach the quarterfinals.

A man named Veloso (Bora) Milutinovic has been hired to change all that. Appointed amid disparaging Mexican disparagement in January 1983, the Yugoslavian immediately preached an alien language. "I trust nobody but those players who know what teamwork means and its importance," he declared.

"I don't like superstars or big names but team players. Also, I want good results. It's not enough to struggle off a defeat and say it's only a friendly" match.

Critics sneered a year later when Milutinovic's chosen team was humiliated, 5-0, in Rome by the reigning world champion, Italy.

They called for his head, they



Tom Brookens of the Tigers took a dive Monday night, beating the throw to the Orioles' Cal Ripken at second for a stolen base. Moments later, Brookens stole third, then scored.

Reardon Fails Expos And Cubs Win, 5-4

Compiled by Our Staff From Dispatches

MONTREAL — Jeff Reardon, the National League leader with 17 saves, finally blew a save opportunity, and it cost his team the game.

In the eighth inning Monday night, with a man on first and one out, Reardon relieved Dan Schatzeder, who had allowed just two hits and had struck out 10.

Then the Chicago Cubs' Richie Hebner pinch hit for pinch-hitter Brian Dayett and singled. Dave Lopes popped foul for the second out. But catcher Mike Fitzgerald's passed ball moved up both runners and both scored on Ryne Sandberg's single.

Sandberg, back in the lineup after missing eight games with sore ribs, took second on the throw home and scored as Keith Moreland singled.

After the Cubs had won, 5-4, the Expos' manager, Buck Rodgers, said Reardon "just had an off-night, but the way he's pitched this year, he's entitled to one."

Padres 9, Astros 1: In Houston, LaMar Hoyt scattered 11 hits and Tony Gwynn and Terry Kennedy each drove in two runs during a five-run second inning that gave San Diego its victory.

Dodgers 7, Reds 4: Greg Brock's two-run homer, Los Angeles' third of the game, clinched a five-run rally in the fifth in Cincinnati.

Phillies 6, Mets 4: Glenn Wilson tripled, doubled and drove in three runs in Philadelphia to help beat New York.

Braves 7, Giants 6: In Atlanta, Larry Owen doubled in two runs during a five-run first that doomed San Francisco. Rookie left-hander Zane Smith pitched the Braves' first complete game this year.

Cardinals 6, Pirates 1: Jack Clark homered for St. Louis and Danny Cox singled in two runs, plus pitching a four-hitter in Pittsburgh.

Yankees 4, Blue Jays 2: In the American League, Bob Shirley, in his first start since December, held Toronto to six hits for 6 1/3 innings in New York. Teammate Don Baylor singled in two runs.

Red Sox 4, Brewers 2: Jim Rice, having twice failed to bunt in the ninth, hit a three-run homer off Milwaukee reliever Rolfe Fingers in Boston, which extended its winning streak to eight. The Brewers' Ted Higuera had retired 18 of 19 batters until running into trouble in the ninth. Rice has not succeeded on a sacrifice bunt since 1980.

Twins 6, Indians 4: Tom Brunansky's three-run homer, during a five-run second inning, helped Minnesota win in Cleveland.

Angels 8, Rangers 1: In Anaheim, California, rookie Kirk McCaskill held Texas to seven hits,

BASEBALL ROUNDUP

Latest Specialty: An Unswung Bat

The Associated Press

MERRILLVILLE, Indiana — Many baseball teams have designated hitters who do not play in the field but go to bat. Andean High School has one who does not play in the field, goes to bat and dares not swing.

Freshman Brian Bujados, who is 4 feet 11 (1.49 meters), is Andean's designated walker. His job: stand in the batter's box and draw a base on balls.

"He's walked about 50 percent of the time," said his coach, Dave Pishkur. "Even when he doesn't walk, the player that comes in for him usually does something."

Bujados stays at the plate only until he draws a walk or gets two strikes. Then the player for whom he has batted returns under a rule allowing a player to re-enter the game.

Last week, Tom Richter, Andean's tallest player at 6-4, walked on a low pitch after Bujados left with a 3-and-2 count.

Bujados, who varies his routine by standing in as either a right- or left-handed batter, could just as easily be watching these games from the stands. After he was cut from the junior varsity team, he requested and received the job as varsity manager.

"We were getting new uniforms. He was doing a good job, so we got him one," Pishkur said.

striking out seven, for his first major-league victory after Mike Brown drove in three runs.

Tigers 8, Orioles 7: Barbaro Garbey, the home run king in the 11th in Detroit and Lance Parrish singled in Lou Whitaker to beat Baltimore. The Orioles' Lee Lacy had hit his second homer of the game in the top of the inning; teammate Floyd Rayford's homer with two out in the ninth sent it into extra innings.

White Sox 9, Mariners 4: Tom Paciorek, Greg Walker and Rudy Law each hit bases-loaded singles to help Chicago win in Seattle.

A's 2, Royals 1: In Oakland, California, Mike Heath raced home from third when Kansas City second baseman Frank White erred on a bad-hop grounder with two out in the 10th. (AP, UPI)

SPORTS BRIEFS

Evert Regains No. 1 Tennis Ranking

BIRMINGHAM, England (UPI) — Chris Evert Lloyd displaced Martina Navratilova as the women's No. 1 tennis player Monday when the world rankings were issued following the French Open final. Navratilova had held the No. 1 spot since June 1982.

Gabriel Sabatini, 15, of Argentina, withdrew from competition in the women's grass tournament in Birmingham, which is the final tournament for Wimbledon, and was fined \$550. Sabatini, who made it to the semifinals in Paris, said, "I have never seen a grass court before, let alone played on one." She will play doubles.

Wimbledon Reports Ticket Forgeries

LONDON (AP) — Hundreds of forged tickets to the Wimbledon tennis championships have been sold to the public, most for favored Center Court seats where prices range from \$8.80 to \$21.40, officials say. The All-England Club, which runs Wimbledon, said the forged tickets were of high quality, compared with forgeries in previous years that often were easy to identify.

Wiggins Cleared to Play, Padres Say No

SAN DIEGO (AP) — Second baseman Alan Wiggins received approval Monday from baseball's Joint Review Council on drug abuse to resume playing. But the San Diego Padres' president, Ballard Smith, said, "Nothing has changed. I don't see him coming back at all."

That may lead to a confrontation with the players union, which has said Smith's decision to suspend Wiggins for the season violates the drug agreement between union and teams, under which no punitive action can be taken against a player who voluntarily seeks and successfully completes rehabilitation and was not arrested for cocaine possession in 1982, but the union considered him a first-time offender when he began treatment in April because the drug agreement was not in force in 1982.

For the Record

Herschel Walker of the New Jersey Generals of the U.S. Football League became professional football's all-time leading rusher for a single season, gaining 162 yards for a total of 2,129 that surpassed the 2,105 gained last season by Eric Dickerson of the NFL's Los Angeles Rams.

Scotty Bowman stepped down as coach of the NHL's Buffalo Sabres, giving the job to veteran defenseman Jim Schoenfeld. Bowman will remain the team's general manager.

Miroslav Dvorak, 33, the veteran Czech defenseman, is retiring from the NHL's Philadelphia Flyers, the team said.

Brian McRae, 17, the son of the Kansas City Royals' designated hitter, Hal McRae, and the baseball team's top pick in last week's amateur draft, signed with the club.

SCOREBOARD

Baseball

Monday's Major League Line Scores

NATIONAL LEAGUE	W	L	Pct.	GB
St. Louis	21	8	.688	0
Pittsburgh	19	10	.655	1 1/2
Cox and Mello: Houston	19	10	.655	1 1/2
and Peralta: St. L.	19	10	.655	1 1/2
Los Angeles	18	11	.619	2 1/2
San Francisco	18	11	.619	2 1/2
San Diego	17	12	.583	3 1/2
Montreal	17	12	.583	3 1/2
Chicago	16	13	.556	4 1/2
Philadelphia	16	13	.556	4 1/2
Atlanta	15	14	.519	5 1/2
New York	15	14	.519	5 1/2
San Francisco	14	15	.481	6 1/2
Los Angeles	14	15	.481	6 1/2
San Diego	13	16	.444	7 1/2
Montreal	13	16	.444	7 1/2
Chicago	12	17	.412	8 1/2
Philadelphia	12	17	.412	8 1/2
Atlanta	11	18	.378	9 1/2
New York	11	18	.378	9 1/2
San Francisco	10	19	.344	10 1/2
Los Angeles	10	19	.344	10 1/2
San Diego	9	20	.311	11 1/2
Montreal	9	20	.311	11 1/2
Chicago	8	21	.278	12 1/2
Philadelphia	8	21	.278	12 1/2
Atlanta	7	22	.244	13 1/2
New York	7	22	.244	13 1/2
San Francisco	6	23	.208	14 1/2
Los Angeles	6	23	.208	14 1/2
San Diego	5	24	.174	15 1/2
Montreal	5	24	.174	15 1/2
Chicago	4	25	.139	16 1/2
Philadelphia	4	25	.139	16 1/2
Atlanta	3	26	.104	17 1/2
New York	3	26	.104	17 1/2
San Francisco	2	27	.073	18 1/2
Los Angeles	2	27	.073	18 1/2
San Diego	1	28	.038	19 1/2
Montreal	1	28	.038	19 1/2
Chicago	0	29	.000	20 1/2
Philadelphia	0	29	.000	20 1/2

Major League Standings

NATIONAL LEAGUE	W	L	Pct.	GB
St. Louis	21	8	.688	0
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Montreal	1	28	.038	19 1/2
Chicago	0	29	.000	20 1/2
Philadelphia	0	29	.000	20 1/2

Golf

PGA Leaders

PGA Leaders	W	L	Pct.	GB
Tom Watson	1	0	1.000	0
Jack Nicklaus	1	0	1.000	0
Lee Trevino	1	0	1.000	0
Sam Snead	1	0	1.000	0
Arnold Palmer	1	0	1.000	0
Gary Player	1	0	1.000	0
Clayton Kasper	1	0	1.000	0
Tommy Aaron	1	0	1.000	0
Hubert Green	1	0	1.000	0
David Feherty	1	0	1.000	0
Greg Norman	1	0	1.000	0
Severiano Ballesteros	1	0	1.000	0
Jose Maria Olazabal	1	0	1.000	0
Bernhard Langer	1	0	1.000	0
Anders Forsberg	1	0	1.000	0
Stefan Lundberg	1	0	1.000	0
Henrik Borge	1	0	1.000	0
Thomas Bjorn	1	0	1.000	0
David Howell	1	0	1.000	0
Lee Westwood	1	0	1.000	0
Paul Harte	1	0	1.000	0
Colin Montgomerie	1	0	1.000	0
Mark James	1	0	1.000	0

OBSERVER

Barton IV on Nabuttsco I

By Russell Baker

NEW YORK — R.J. Reynolds, the cigarette company, is merging with Nabisco, a biscuit-and-crackers outfit. The obvious name for this new corporate monstrosity is Nabuttsco. I have already proposed it to the Committee on Nomenclature, whose couch, Barton B. Barton IV, assures me that the suggestion will be given serious consideration.

This means it will be rejected out of hand, which is a pity. I expected better of a committee boss with the nerve to call himself a couch.

Most people who head committees nowadays call themselves chairs, believe it or not, and you probably don't believe it unless you follow the kind of news that involves committees, which would make you a very dull person indeed.

If you were that kind of person, you would not be reading this. You would be reading the latest editions from President Reagan about the tax bill's being the greatest boon to humanity since penicillin. So believe me: If you were in charge of a committee these days, you would be called a chair.

Naturally, when I phoned the Committee on Nomenclature I asked to speak to the chair. "We have no chair," said the telephone. "Would you like to speak to the couch?"

A few years ago, suspecting that somebody was twitting me, I would have said, "No, but I would like to leave a message for the couch." Not nowadays, though.

All right, having said that for lack of a chair I would speak to the couch, I was connected to the telephone of Barton B. Barton IV, who said that my suggestion for calling the huge new organism Nabuttsco would get serious consideration. "I'm sorry to hear it," I said.

"Well, you know how it is: A lot of kids nowadays may not know that cigarettes used to be called butts, and it wouldn't help sales of either butts or biscuits if kids thought we were mired in the past."

I did not point out that kids who didn't know that butts were cigarettes certainly wouldn't know what mired was. It is useless to argue with corporate couches about the

best way to exploit American youth.

In any case, I was interested in how this man liked being Barton B. Barton IV. Names, as you probably now realize, interest me. I like to see a thing or a person well named.

And people whose names include Roman numerals were once so enviable in my eyes that I despised about not having one. Roman numerals meant class.

That was before "Rocky" movies took the gloss off Roman numerals. Until then the Roman numeral I had always wanted as part of my name was MCMXXXIV. This was because MCMXXXIV would be indecipherable to most people, if they are as bad at Roman numerals as I am, and this would have made me seem mysterious and romantic.

Then, sitting stupefied in a movie house one night watching "Rocky III" or possibly "Rocky XVII," I suddenly realized that I'd been named Rocky and granted my prayers for a great Roman numeral. I would be Rocky MCMXXXIV.

Barton B. Barton IV said, somewhat testily, that he did not intend to give up his IV. It said something unflattering about him, I think, that he did not realize that the Roman numeral isn't what it used to be. It explained why he was uninterested in renaming the new cigarette-and-crackers combine Nabuttsco.

He typifies the unimaginative mentality that rules the nomenclature committees of today's corporate world. Recently, for example, I named General Electric that it was afflicted with a colorless name that gave little idea of what the company was up to.

Here was an outfit that had made billions out of Pentagon contracts yet had paid no taxes for years. Instead of calling itself General Electric, I maintained, it should change its name to General Fleecing. If the bulk of its tax-free profits stemmed from navy contracts, so much the better — it could be called Admiral Fleecing, which the public, after a little tax-deductible spending by the public relations department, could surely be induced to think of as "Admiral Fleecing."

My suggestion has not been acknowledged.

New York Times Service

The Keeper of the U. S. House's Door

By Martin Tolchin

New York Times Service

WASHINGTON — He is a large, round man who stands in the rear of the House chamber during joint sessions of Congress and bellows the titles of those entering the chamber, ultimately proclaiming, "Mr. Speaker, the President of the United States."

That is what the world sees and hears of James T. Molloy, who rose from ward politics in Buffalo, New York, to defeat William Miller of Mississippi in a vote by the Democratic caucus and become Doorkeeper of the House of Representatives.

He is a gregarious man, with the same zest for politics as the House Speaker, Thomas P. O'Neill Jr., who recently walked to the House chamber with an arm draped over the Doorkeeper's shoulder and said to a reporter: "They don't make them any better. He's one of my great friends and a beautiful man."

The Doorkeeper, nominally in charge of keeping order on the floor, oversees more than 400 employees and a budget of \$6.8 million. His jurisdiction includes such seemingly peripheral responsibilities as the House document room, the Office of Photography and a Publications Distribution Service.

"I'm a political creature," Molloy said in an interview in his tiny office cluttered with memorabilia. "If something involves politics, it ends up here."

A genial man, Molloy is nevertheless known to have flashes of temper, which he has occasionally expressed in writing, to his regret.

He recalled the anxiety of his maiden appearance on the House floor when President Gerald R. Ford delivered his first State of the Union address, on Jan. 15, 1975. "I don't know who was more nervous," Molloy said. "Ford wanted to show that he was in charge, and so did I."

Molloy introduced "the Justices of the Supreme Court" and was gently told by Chief Justice Warren E. Burger that the proper introduction was "the Chief Justice and Associate Justices of the Supreme Court."

Molloy also recalled that months before he introduced "the President's Cabinet," which was lined up outside the chamber, Secretary of State Henry A. Kissinger poked his head inside the door and playfully told him, "Tell the world that Henry and the boys are here."

Molloy, 48, a third generation Irish-American, grew up in South Buffalo, which he recalled as "a hotbed of politics."

The son of a firefighter, he worked as a marine firefighter, a teacher and in the District Attorney's office while earning his undergraduate and law degrees.

The turning point in his career, he said, was joining the South Side Democratic Club and being elected its chairman at age 27, "the youngest ward chairman in the city's history."



James T. Molloy, Doorkeeper of the House of Representatives.

At that time he worked as a loan officer for a local bank, but used an alias, "Mr. Alois," so that his constituents would not recognize their ward leader as the man who was pressing them to pay their bills.

Molloy became a protégé of Joe Cragle, then as now leader of Buffalo's Democratic organization, who worked with Representative John Rooney, a Brooklyn Democrat, to send Molloy to Washington. His first job here, in 1969, was as the House's chief disbursing officer. He then served for two years as the House's chief finance officer.

"There were people happy to get me out of Buffalo," Molloy said.

In 1974 he mounted his challenge to Miller, who had held the job for more than two decades. Molloy and some veteran House members agreed that Miller had developed an independent power base, courting the committee chairmen but largely ignoring the rank and file.

"He forgot that we're just hired help," Molloy recalled. "It's a service-oriented job." Carl Albert, who at that time was the Speaker, remained neutral in the vote by the caucus, as did O'Neill, then the majority leader. Molloy was also aided by some of the younger, antiwar members and some Southern delegations.

The current consensus is that Molloy is attentive to members' needs, from an extra ticket to a State of the Union address to appointment of a House page to distribution of a newsletter.

"He tries to make the members' job as pleasant as possible," said Representative Henry J. Nowak of Buffalo, an old friend and ally.

Molloy's greatest crisis occurred in 1982, with the reports of sexual misconduct and drug abuse involving House and Senate pages.

"I told the Speaker we had to move quickly," Molloy recalled.

He had previously urged stricter supervision of House pages, high school students who were largely left to their own devices off the House floor. He then successfully argued for conversion of a House office building into a dormitory for pages and for an overhauling of the school where pages attend classes while working in the capital.

More recently, Molloy has crossed swords with the staff of the House press galleries. Although he serves as paymaster of the staff, his control is in the hands of committees of reporters.

After only 15 reporters turned out to hear Garret Fitzgerald, the Irish prime minister, Molloy fired off an angry letter to the press galleries superintendent directing that all 96 seats be filled for a forthcoming visit by President François Mitterrand of France. Molloy now says he regrets sending the letter.

But when Mitterrand appeared, there was standing-room only in the press galleries.

Molloy has witnessed the dispersion of power in the House, and an increase in the number of younger members.

"You'd think there'd be a lot more camaraderie, but there isn't," he said. "When we used to have late-night sessions, you'd see those small airline whiskey bottles in the cloakroom and hear some singing. But now they're all business. They take themselves too seriously."

New York Toasts Fellini

Federico Fellini, the Italian director of such classics as "8½" and "La Dolce Vita," was honored Monday for his role in the creation of neo-realist moviemaking by the Film Society of New York's Lincoln Center. "You are truly a simpatico people," as I always expected since I was a child and first knew of your existence through Felix the Cat," Fellini said after hearing glowing tributes to his work. Describing the movie house in his village, "with one seat and five standing room," he said, "I believe I owe to those flickering shadows from America my decision to express myself through films." Alfred Stern, president of the society, called Fellini "a truly great film artist." Clips from 17 Fellini movies were shown in the two-hour tribute at Avery Fisher Hall.

Lynne Frederick, widow of the actor Peter Sellers, won an extra \$475,000 from the makers of a "Pink Panther" film that she described as an insult to her late husband's memory. Last month Judge John S. Hobbhouse awarded Frederick \$1 million in damages in a breach-of-contract action in London against "United Artists Film Corporation for 'Trail of the Pink Panther.'" The film was released in 1982, two years after Sellers died, and was crafted from discarded clips from the five previous Pink Panther movies in which Sellers played the bungling French detective Inspector Clouseau. On Monday Hobbhouse ordered the corporation to pay \$400,000 interest on the damage award. They must also pay an extra \$75,000 following an investigation into the contractual arrangements regarding some of the footage used in the film. United Artists also was ordered to pay legal costs estimated at \$250,000.

President Habib Bourguiba of Tunisia on Tuesday welcomed France's intention to name Eric Rouleau, Middle East specialist for Le Monde newspaper, as its ambassador to the North African nation. "We're going to have a Le Monde editor-ambassador," Bourguiba, on a visit to France, told President François Mitterrand at the beginning of a 30-minute meeting at the Tunisian Embassy in Paris. Informed sources had said earlier

that Rouleau would be named ambassador to Tunisia, but the information was not officially confirmed. Rouleau, who will be 59 in July, has worked for Le Monde for a quarter century, covering the Middle East and the Arab world. He will replace Gilbert Péro as ambassador.

The Statler Brothers won a record-breaking six trophies Monday night at the fan-voted Music City News country music awards in Nashville, Tennessee. The former gospel group also won the coveted Entertainer of the Year award. Barbara Mandrell, making her first live appearance since an auto accident last September, stole the show when she was given the "living legend" award, an accolade given to a performer for 25 years or longer. It was the first public singing appearance for Mandrell, who is expecting her third child in September, since she was hospitalized with a broken leg, severe concussion and other injuries. Professional country music performer since she was 11 years old, "I promised a while back I would never cry if I was ever privileged to win another award," Mandrell said in a tearful acceptance speech. "But I didn't expect it. This is a wonderful gift and show of love," she told the audience at the Grand Ole Opry House. Other multiple winners included the Judds, who were named Star of Tomorrow and Duo of the Year, and Lee Greenwood, who was named male vocalist of the year and won Single of the Year for "God Bless the U.S.A." Reba McEntire was named Female Vocalist of the Year.

Betsy Cushing Whitney, widow of the late John Hay Whitney, U.S. ambassador to Great Britain in 1957-61 and chairman of the International Herald Tribune, has donated \$8 million to Yale University for construction of an addition to its medical library. It was the largest single gift ever received by the School of Medicine. Mrs. Whitney is the daughter of the late Dr. Harvey Cushing, professor of neurosurgery at Yale medical school. The library addition will be named for both men, both Yale graduates.

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